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THE
BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SIXTY-EIGHTH YEAR JULY 1914 VOLUME LXXXIX, NO. 1

A Remarkable Address by the New Comptroller of the Currency

AFTER a few months' occupancy of the office of Comptroller of the Currency, Mr. John Skelton Williams was invited to address the bankers of North Carolina assembled in annual convention at Raleigh.

His address was sensational in character; and since Mr. Williams is a member of the Federal Reserve Board which will have charge of the operations of the new Banking Act, his utterances have undoubtedly had the reverse of a reassuring effect upon the banking community. His attack upon New York was especially bitter. He said:

"New York has become the commercial capital of the country, the great citadel of the money power, the reservoir of money supply.

"It is the walled city from which the barons have levied tribute on a territory and population vaster than any lord or king of the Middle Ages dreamed of, yet sometimes using methods ruthless and savage as those of the fiercest of the robber nobles—forays and levies devastating by scientific, artful methods; pillaging under form of law, smiting with swords which bite deep, although we cannot see them, consuming with fire which comes invisible and unsuspected.

"The simile seems strong, but it is justified by facts.

"No sudden swoop by a feudal magnate on his peaceful neighbors was a more cruel or shameless plundering expedition than some of the transactions which have been brought to light by which the shareholders of railways and other great enterprises, established to build up the country and to promote the public interests, were despoiled. Their property and money were taken from them

by the might of masses of money working stealthily. The raids had none of the attractions of the picturesque or the merit of courage. They were cold blooded, relentless seizure of other men's goods by plots, treachery and betrayal of trusts which should have been held sacred."

Mr. Williams relies upon the new Banking Act to protect the people from these depredations.

"It will save," he says, "prudence and good faith from sharing the punishment earned by imprudence and bad faith, perhaps a thousand miles away. It will guard straight and open business against the evils brought by crooked and crafty business. It will protect sturdy conservation and well-intended enterprise from the violence, the cupidity, and the mastery of dollars assembled and used for brigandage; establish barricades about capital properly employed against what a distinguished traveler and expert has described as predatory wealth."

Until he entered the Treasury Department as Assistant Secretary Mr. Williams was himself largely interested in corporate enterprises, and his denunciation of "predatory wealth" has about it some of the zeal characteristic of new converts.

The measure, says Mr. Williams, is a guarantee of freedom:

"The new banking law, of which I, as Comptroller of the Currency, am asked to talk to you North Carolina bankers, is not only a declaration but a guarantee of the freedom of the financial and commercial interests of our country from the possibility of the rule of a small group of men, sometimes unknown, sometimes too well known."

This recalls a story once related by Mr. Carnegie. When he was in the iron business, he said, he found it necessary to change a man from one post to another. Some friends of the workman who had been transferred protested against the change and united in a demand that the man be retained at the work he was then doing. They wound up their petition with the statement that if Mr. Carnegie would grant this request, they would guarantee that the workman would make good. This was met by this inquiry from the shrewd ironmaster: "And who will guarantee the guarantors?"

The same question may be put to Mr. Williams: Who will guarantee the correctness of his prophecy? What assurance have we that this combination of credit is not to fall into the hands of politicians, or into the control of Wall Street—a control more absolute and pitiless than any yet dreamed of?

Let us take another extract from this carefully-prepared address of a supposedly conservative public official:

"When a dozen men own among themselves 1,600 million dol-

lars, and through a system of interlocking directorates control as much more, directing an amount equal to the total currency supply for a hundred million people, we should realize that such power is a peril, not only to our commerce and to the people at large, but to the Government itself.

"I have heard it said those men have held this huge Republic by the throat, but if that statement is strong, we do know that under the conditions which have existed they could precipitate a panic, or force artificial and injurious activity at their will.

"Working from ambush, seen by none, felt by all, they could have shaken the credit of the country so as to paralyze and make, in time of peace, ruin and desolation worse than war. There is no need to quarrel with these men. * * *

"Some of these commanders-in-chief of finance, and captains of industry, have proved that they had high patriotic instincts and came to the help of the Government and people in time of stress. Others had the sound wisdom to realize that their real prosperity and the stability of their great possessions were best promoted by reasonable prosperity and hopefulness among the masses of the people. Yet it is not right or safe that the happiness and hope of all these scores of millions of our citizens should depend on the mercy, the caprice or the opinions of any twelve, or fifty, or a hundred men."

But now that the credit of the country has been centralized to an extent never known before and control placed in the hands of seven men (Mr. Williams himself being one of the sacred number) it is all right; these seven men will act with supreme wisdom and with a lofty, unassailable rectitude. To doubt this would be the rankest treason.

"We have lived," says Mr. Williams, "beneath a potent despotism, we could not see or touch or quite understand; but which every man of us could realize and feel every day of his life.

"We could see things done; effects were before us plainly. But we could not know how, nor by whom they were done, nor the processes by which the effects were produced. We stood on a gathering volcano of unrest. Observing men could note the symptoms and threats, but were bewildered in seeking causes.

* * * * * * * * *

"We have permitted to grow up what is aptly called an 'invisible government,' more powerful in many respects than the visible government, touching our daily lives more intimately and immediately than any government can do, reaching into the vaults of our banks, the safes of our merchants, the cupboards of our housewives. On the power of this we have set no limit. We have left

it unrestrained. We have allowed it omnipotence without responsibility; permitted its operations to be conducted, too often, without possibility of appeal or redress."

Remember, this is not a stump speaker appealing for votes in a heated campaign, but a supposedly responsible official of the Government, charged with the supervision of the national banks, talking to an audience of bankers in one of the conservative banking States of the Union.

We shall make but a single further quotation here from this remarkable outbreak:

"In February last the national banks of New York and Chicago held on deposit from the banks and trust companies throughout the United States more than a thousand million dollars—an amount equal to nearly one-third of the total money in circulation in the entire country. No wonder you and the financial business men of the country shook with violent ague whenever New York chose to show indications of having cold feet. Of this thousand million dollars placed with the New York and Chicago national banks by the banks and trust companies throughout the country, less than eighty-five million, in January last, was being loaned back to the banks and trust companies of the United States. Of the balance of the money sent to the national banks of New York and Chicago, about two hundred millions was invested in bonds and securities; about three hundred millions had been loaned to non-customers of these banks—that is to say, to borrowers who kept no accounts with them—on 'bought paper', and loans secured by stock-exchange and other collateral; this is, of course, in addition to hundreds of millions which the banks were lending their own customers on stock-exchange and other similar securities."

It is difficult to understand what Mr. Williams means, but apparently there is an implication that the New York and Chicago banks ought to have been lending more money to the regions whence the deposits came. At the season of the year named, however, the probabilities would be that the demand for money would be slack with some of the outlying banks, which would cause them to increase their deposits at New York and Chicago. Now, the fact that the banks in these cities were buying bonds and commercial paper might simply have indicated that the money was being employed all over the country in a perfectly legitimate and healthful manner, and that the New York and Chicago banks were performing this service merely because they had developed the efficient financial machinery for doing that work.

Furthermore, a considerable part of the sum referred to was being loaned to customers of the New York and Chicago banks on Stock Exchange collateral. But surely this by no means proves

that it was all being used in speculation, for many business men pledge such collateral to procure loans for their ordinary business requirements, these secured loans being obtainable at a lower rate than applies to the ordinary promissory note.

In our judgment, a great deal of the surplus funds accumulating in New York and Chicago at certain seasons would be retired when not needed under a proper currency system.

At a time when the banking and business situation is depressed by the uncertainties and complications due to legislative and executive assaults upon commerce and industry. an address of this character cannot be otherwise than harmful in its effects. Nor does the prevailing sentiment of this address constitute a hopeful augury for the success of the Federal Reserve Act.

On another page of this issue appears that part of Mr. Williams' address relating to the operation of the new Federal Reserve Act.

CENTRALIZATION UNDER THE NEW BANKING LAW

NOW that the new banking law promises soon to become operative, people are beginning to inquire just what it means. No doubt very many persons believe that the new law actually accomplishes the decentralization of credit and of reserves. In his recent address before the convention of the North Carolina Bankers Association, Mr. John Skelton Williams. Comptroller of the Currency, said:

"This new currency measure is democratic essentially. It looks to decentralization of direct financial control, to financial local self-government so far as is consistent with stability and the general safety"

Under the system which the new law displaces there were in the whole United States. according to the Comptroller's Report for 1913, exactly 367 national banks acting as reserve agents for other banks. These 367 banks were located in fifty different cities. There were in the three central reserve cities--New York, Chicago and St. Louis—fifty-two banks, the remainder of the 367 being in the other forty-seven reserve cities.

Under the new law, instead of there being 367 banks acting as custodians of the national bank reserves, the number of banks so acting will be reduced to twelve, and the number of cities act-

ing as reserve centers will be reduced from fifty to twelve. In New York, for example, instead of there being thirty-six reserve banks, as heretofore, there will be one reserve bank.

Is this centralization or decentralization of bank reserves?

If we take up the question of handling the reserves, the concentration under the new law becomes more apparent, for it requires no argument to show that the management of twelve banks will be more limited than that of 367 banks. Actually this centralization is much greater than these facts indicate, for the twelve Federal Reserve Banks will be controlled by the Federal Reserve Board of seven members.

What is this but centralization of the closest kind?

But while in reality the new law does not decentralize the banking reserves of the country, it does diffuse them. New York, Chicago, and some other big cities will lose large amounts they now hold as reserves for other banks.

But while this may seem like decentralization, it is not: for this diffusion is largely offset by taking the reserves away from the forty-seven reserve cities and concentrating them into twelve cities.

Thus, whether we take the number of cities, the number of banks, or the personal control of the national bank reserves, it will be seen that there has been a tremendous centralization of them.

Much may be said in favor of such centralization. In fact, if the bank reserves had all been centered, say, at New York, Chicago, New Orleans and San Francisco, and left under the control of bankers, and if the banks in these cities had been compelled to enlarge their capital and reserves, and permitted to issue their credit notes, it may well be doubted whether the cumbersome and perplexing Federal Reserve Act would have been necessary.

Commenting on the law, the New York "Sun" says:

"In the Federal reserve scheme nothing is decentralized except reserves, and this decentralization is unscientific. It is otherwise a plan for the most marvellously undemocratic centralization of autocratic financial power that the world has ever seen. Moreover, it provides for a political centralization of financial power without the checks or restraints that would ordinarily accrue from financial responsibility."

We think it has been shown above that the decentralization of reserves is theoretical and not actual. Of course, in view of the tremendous power given the Federal Reserve Board in controlling the currency and credit of the country, there is no question that the Federal Reserve Act does constitute a gigantic consolidation of credit and of financial power.

TREMENDOUS POWER OF THE NEW MONEY TRUST

THIS MAGAZINE has pointed out repeatedly that the new Federal Reserve Act, while professing to decentralize credit, has actually established a greater concentration of credit than ever existed in this or any other country—a view sustained in an article by Professor Edward Sherwood Mead, published in the June number of "Lippincott's Monthly." Professor Mead is a professor of economics and finance in the Wharton School of Finance, University of Pennsylvania, and an author of several well-known books on banking and kindred subjects.

Referring to Mr. Bryan's celebrated "cross of gold and crown of thorns" speech delivered at Chicago in 1896, in which it was declared that certain men of the East meet in a back room and corner the money of the world, Professor Mead says:

"While the existence of this money-cornering group then or at any other time may well be doubted, after sixteen years, the same party which Mr. Bryan led in 1896, against the money power, has erected in the Federal Reserve Board a political money power, dominated by the President of the United States, which is far more potent than the imaginary combinations of the past."

This statement is supported by an enumeration of a few of the Board's powers. Professor Mead then goes on to say:

"The Federal Reserve Board can expand or contract the currency at will and without limit.

"They can fix the rate of interest the country over, raising or lowering it at pleasure.

"They can raise or lower the cash reserves of all the national banks.

"They can expand or contract the credit of every class of business men.

"They hold the power of life and death over every American business."

"The new law, in theory," says Professor Mead, "makes the President of the United States, acting through the Federal Reserve Board, the financial dictator of the United States. The late J. Pierpont Morgan, at the height of his power, with the confidence and respect which fifty years of successful business gave him, * * * the man who at the close of his life wielded a personal influence in the field of banking and finance to which history offers no parallel, would appear impotent and feeble when contrasted

with the power of the President of the United States under the new currency law."

In the August, 1913, issue of THE BANKERS MAGAZINE (page 142), while the Federal Reserve Bill was pending in the House, it was stated:

"The concentration of credit in the hands of a Federal Reserve Board—whether this board shall be composed of political appointees or of bankers—is a most hazardous experiment and one which may involve the gravest consequences."

Professor Mead does not think it likely that an attempt will be made to build up a political machine from the officers and employees of the banks, but he believes that the worst that can be said of the new system is that its general policy will be "that every important question of banking policy would be considered in its bearing upon the fortunes of the party in power."

To all these dangers in the political or Governmental control of banking, the friends of the new measure will reply that it is safer to have such concentration of credit in the hands of men appointed by the President than to entrust it to a group of powerful bankers. Perhaps that is true; but our opinion now is precisely what it was when the bill was pending, namely, that the real objection was to the centralization of credit in and of itself. We believe, with Professor Mead, that no centralization of credit at all comparable with that provided in the Federal Reserve Act existed before that act was passed; and we believe now as heretofore that once this centralization is effected its control by politicians or big financiers is made easy and certain. Indeed, it looks very much like such control is already in sight.

The dominance of the Reserve Board by the party in power is assured by the fact that the Secretary of the Treasury and the Comptroller of the Currency—two of the most powerful officers of the Government—will always be members of the Board, and on account of their official standing will largely shape its actions. And, of course, this objection is not aimed at the party now in power, for it will apply in exactly the same way when there is a change of Administration.

These two officials, together with the strongest bank member (at present Mr. Warburg), will substantially constitute the Federal Reserve Board.

This will make it the easiest thing in the world for big financial interests to rule the Board, and as Professor Mead truly says, this Board holds the power of life and death over every American business.

We think this too great a power for any one man or any seven men to have.

We believe in democracy in banking. The banking business of the country should be conducted by bankers. All banks should be brought into an organization somewhat analogous to the clearing-houses existing in most of the big cities. With the banks so linked together, under proper rules subject to Government approval, and with the operations of such clearing-house organization subject to Government inspection, we should have sound banking and fair play toward all classes of banks and the public, and we should not have the centralization of credit to be effected by the Federal Reserve System.

We believe that the United States will never long tolerate anything but a genuinely democratic system of banking; and this opinion is based upon the country's banking history.

That is the chief reason why this MAGAZINE could not support either the proposed National Reserve Association brought forth under Republican auspices nor the Federal Reserve System inaugurated by the Democrats.

A BITTER LABOR CONFLICT

RARELY has there been in this country a more bitter conflict between capital and labor than that recently witnessed in the mining regions of Colorado. Bloodshed and the most savage denunciations have been its accompaniments. Doubtless the situation has been made worse by the fact that Mr. John D. Rockefeller, Jr., was a principal object of attack. We do not remember to have seen a more vehement denunciation of anyone than that aimed against this gentleman in a speech delivered some time ago by a representative of the miners. Either this outbreak was provoked by severe injustice or it was the culmination of that popular fury against the rich which demagogues have so long and assiduously cultivated in this country. The speech referred to was not the mere vaporings of a destructionist; it represented the long-pent bitterness, not of an individual only, but of a class. It would be well if those in authority should realize the gravity of a situation that gives birth to a spirit which this speech represents.

Mr. Rockefeller contends that he is fighting for the principle that would permit every man to work for whomever he pleases; in other words, for the open shop—or the open mine.

The representatives of labor suspect the disinterestedness of this wealthy champion of the liberty of labor, fearing no doubt that his purpose may not be to free labor but to enslave it.

Is there here an issue that must be fought to the bitter end without parley or compromise, or is it possible to find some com-

mon ground upon which labor and capital may meet? We do not attempt to answer this difficult question. It is deplorable that such a situation should exist. And it will be yet more deplorable if no basis of reason and justice can be found upon which this serious controversy may adjust itself.

MUNICIPAL BANKING

THAT such form of banking may become a possibility of the near future is foreshadowed in this dispatch from Long Beach, Cal., published in the Los Angeles "Times" of a recent date:

"Impatient because of failure of banking houses to take up bond issues, citizens of Long Beach want the city to go into the banking business, and their desires will perhaps be fulfilled. A numerously-signed petition asking the city council to apply for a national bank charter for an institution to be municipally owned will be presented at the next council meeting. Alva L. Reynolds, No. 234 East Broadway, is the father of the movement, which is gaining great headway.

"The plan proposed by the petitioners is to convert municipal bonds into national bank currency, thus saving thousands of dollars in interest per year. The petition states that Long Beach is now paying $100,000 in interest on bonds yearly and is facing a financial crisis because of the payment of interest and running expenses.

"The men behind the movement have secured favorable expressions from several councilmen and propose to take their prayer for a city bank to the freeholders who are framing a new charter. Neither the city charter nor the State law authorizes such a bank, but Reynolds and his petitioners urge that both may be favorably changed by the initiative election law."

There will be some difficulty in converting municipal bonds into national bank currency. Although such bonds would be available as security for bank circulation under the Aldrich-Vreeland Law, they could not be so used under the new Federal Reserve Law; that is, not directly, although we suppose a really astute financier could find means of making the conversion, just as we suspect some of the New York banks will find means of using the new law as an instrumentality of enlarging the supply of funds for Wall Street speculation—something the law was expressly designed to prevent.

It is, however, not an unreasonable ambition possessed by this

citizen of Long Beach. He has seen the Federal Government use its debt as the basis of bank currency and from this example deduces the conclusion that a city may do the same thing. And, of course, so long as the credit of a municipality is good—and we do not question that of the California city—the principle is about as sound in one case as in the other. But while the need of a certain city for funds might be thus supplied, what evidence have we that this need would correspond to the commercial demand for currency?

The Government of the United States has just taken a fresh plunge into the banking business, and it is not surprising that municipalities should be contemplating a similar course.

CHECKING REDEMPTION OF BANK NOTES

INTERFERENCE, with the redemption of national bank notes seems to be the motive for a new order of the Treasury Department. Under the new rule a bank which ships in the bills must bear the cost of reshipping to the issuing bank such of its bills as are found fit for further circulation. The issuing bank has borne this charge heretofore. The new rule will throw an increased burden upon the New York banks, and this expense will be greater in New York than elsewhere for the simple reason that more bank notes are sent there than to other cities. Country banks when shipping currency to New York are more liable to send bank notes than any other form of currency, as the bank notes are not allowed to be counted as reserves. And for the same reason the New York banks, desiring to keep up their reserves, ship the bank notes to Washington for redemption. But if the New York banks have to pay the cost of sending the bank bills back to the issuing banks, this may tend to check redemption and thus promote inflation.

With the prevailing sentiment at Washington respecting banking and currency, doubtless the view exists that as these so-called bank notes are virtually Government "money," there is no necessity for their redemption. If these notes are good enough for the people, why are they not good enough for the banks? But this view overlooks the very important fact that "the people" are not manufacturing credit in the same way the banks are. Inasmuch as the notes are not allowed to be reckoned as a part of a bank's reserve—and of course they should not be—the New York banks when sending the notes to Washington are virtually seeking to comply with conditions which the law imposes.

This action of the Treasury—was it designed as an additional means of punishing the New York banks?—merely emphasizes the viciousness of the theory of Government currency. Were the bank notes pure credit instruments, as they should be, they would be expeditiously and economically redeemed through the clearings, as New England bank checks are in Boston and as local checks are in all cities having clearing-houses.

BRANCHES OF TRUST COMPANIES

RESOLUTIONS were passed recently by the Monmouth County (N. J.) Bankers Association strongly condemning the provision of the banking law of that State which permits trust companies to establish branches in the county where the head office is located, each branch requiring the addition of $100,000 capital to the amount which the law prescribes for the incorporation of a trust company.

As trust companies are, generally speaking, merely banks plus trust company functions, the privilege of establishing branches really means the extension of the branch banking system. It is pretty clear that with a law like that which the Monmouth county bankers complain of, a strong trust company could establish itself in the principal commercial point of each county and gradually starve out the smaller companies.

On the score of economy a branch has some advantage over a number of independent banks; but as to whether the public would be better served—which is the real matter at issue—that is another question. Of course, if several trust companies were established at Newark, for example, with branches throughout Essex county, there might be just as fierce a competition for business under a branch system of this sort as where each trust company in the county was a separate and independent organization. The branches of the Canadian chartered banks do keep up a healthful competition of this sort.

But if a single trust company, let us say at Long Branch, was strong enough to monopolize the trust company business of Monmouth county, then the situation would be different, and the public might be less economically and less efficiently served.

Heretofore the sentiment in this country has been strongly opposed to the general introduction of branch banking, although it is to some extent sanctioned by the banking laws of several of the States. The National Banking Act prohibits branches of the national banks, but the new Federal Reserve Act permits the estab-

lishment of branches of the Federal Reserve Banks. These are at present institutions of limited scope, though it would not be surprising if their powers are later extended to comprise general banking operations.

It will be interesting to note whether, as the country grows older and conditions tend in some respects to approximate those in foreign countries, the United States will copy the branch banking system or adhere to its time-honored system of independent banking.

GOING AFTER THE SUBSIDIZED BANKERS PUBLICATION

THIS MAGAZINE last month referred to the unjust policy of the American Bankers Association in subsidizing a publication to compete with the other banking periodicals supported by the capital of their respective proprietors. In its issue of May 2 "The Financial Age," New York, says on the same subject:

"The April number of the 'Journal-Bulletin' contained an editorial on the utility of that magazine, laying stress upon the claim that as no 'news,' editorials 'on current topics,' or 'paid advertising' appeared in its columns, it was self-evident that the magazine did not come into competition with standard financial periodicals.

"The 'Banking Law Journal' for April answers the writer of the editorial in no uncertain terms, reiterating the reasons why the 'Journal-Bulletin' does come into competition and a very lively competition with the publications which must necessarily charge a subscription price for their magazines.

"There is no doubt whatever but that the 'Journal-Bulletin' contains each month columns of articles and editorials which should not be there if the association cares anything about the interests of the independent publishers of financial periodicals, and we state advisedly that when the executive council of the American Bankers Association at a meeting in Lakewood, N. J., six years ago, gave the secretary of the association the permission to issue a monthly bulletin 'in order to obviate the necessity of mailing to the same list of members several times during the month separate bulletins of the doings of the association' they had no thought that the publication was to be issued as a regular monthly magazine containing the matter it does, or that it was to be used for the purpose it is used for, or that the cost would be anywhere near one-fifth of its present cost, which is stated to be about $25,000 per annum.

"It seems to us that the question at issue is not as to whether the 'Journal-Bulletin' comes into competition with the financial periodicals. There is no doubt whatever that it does, and that in some cases it comes into very serious and very unfair competition as well. Therefore, that phase of the question may be dropped, and the whole matter simmers down to the cold-blooded question of whether or no this powerful association, made powerful largely by reason of the loyal work of the periodicals in the banking line, cares anything about the effect of the publication of the 'Journal-Bulletin' on the subscription lists of the financial publications, which have ever since the inception of the organization spent large sums in bringing to the notice of the bankers the advantages of becoming members of the association. They have published practically all of the matter, free of charge, which is to-day contained in the 'Journal-Bulletin,' and have even used their own representatives in their travels throughout the country to personally solicit members for the organization.

"That was at a time when the American Bankers Association needed workers, and the men in the financial publishing business got under the movement and boosted with a hearty will. It made no odds to them that the association was poor and needy, and in order to raise money to get out the official report of their proceedings the then secretary or his assistant traveled about the country obtaining advertisements to be inserted in the report. The association needed assistance and these men individually and collectively gave of their best.

"Looking at the matter from an unbiased standpoint, but with a full knowledge of all the facts, is there even a single member of the American Bankers Association who would declare that the banking fraternity is so ungrateful as to want to injure these men who helped them in time of need?

"We say, No! The association members are above the average of humanity; they believe in the doctrine of live and let live, and if in convention assembled they were told the whole truth, the 'Journal-Bulletin' would be unanimously consigned to the duties for which it was originally intended. Look into it."

We believe that the members of the American Bankers Association and of its executive council are fair-minded men, and that once they come to understand the real point in this controversy, they will see the injustice of the present policy in using the association's funds to put forth a publication—largely of a useless character—in competition with the independently sustained financial journals.

The question is one bound to become increasingly prominent ' it is settled on a basis of justice.

The Menace of Socialism*

By Hon. MARTIN W. LITTLETON, Former Member of Congress from New York

LADIES and gentlemen, it is rather late and I shall respect the lateness of the hour by taking the very least portion of your time in the suggestions which I am going to make. In the first place, to my mind, we are in the midst of the most serious time in our country, generally, within the memory of anybody here, perhaps within all the range of all the reading of any person here. I do not wish to be one-sided or altogether centered upon the thing which I am going to suggest, for I am not at all sure but that many of you will disagree with me. I give you fair warning that I am not running for anything nor from anything. I do think, however, that when we do have the opportunity to speak to one another it is best to speak our minds and to know the result of the things which we have thought about.

I ask myself the question, as I look at my State and my Nation, to what extent will the Government finally go in putting restraints and limitations on the activities and ambitions of the individual? I ask myself the question, when I find boards and commissions inquiring into the question of what rates your railroads and public service concerns pay, and I do not doubt nor do I for one moment challenge the power or the righteousness of the supervision and the regulation of these concerns; but I ask myself the question when I contemplate the attitude of the public life of this Nation, will it ultimately establish as the measure of individual achievement a reasonable interest or income on the time employed and money invested? Will the paralyzing influence of the Government finally descend into the very vitals of industry and business, enter into the realm of human ambition. and bar the way in whatever way the individual may turn for his activities? Are there no prizes which the daring will be allowed to contend for and no reward which shall come to those who will assume the greatest risk? Is equality of opportunity—the lofty purpose of a great republic—to be set aside for the shibboleth of equality in the enjoyment of the fruits produced by all, the insidious whispering of the ne'er-do-well philosophy of Socialism? Is the contest really as between the States as domestic sovereignties and the national Government to see which can be first in dismantling constitutional Government? Is the contest to be fought out by agencies which are called public authority in an endeavor to strangle the militant forces of a civilization built upon uncivilization, and will it finally result in the substitution of an imbecile structure of Socialism or quasi-Socialism in our country?

I ask myself the question and I ask it of you, is there to be an inviolate right of property in this Nation or is it to be a transitory proprietorship which is to be dislodged by gusts of ill-considered public opinion and restored by apathy or public indifference? Will the swelling tide of universal suffrage—and I do not now discuss the question of male or female suffrage—will this swelling tide, lashed to fury by the tempests of pure democracy as distinguished from representative government, be the uncharted sea upon which at last the ship of state must and will founder?

*Address before the recent annual convention of the New Jersey Bankers Association.

THE people of this country to-day, much as they may undertake to avoid the question, are face to face with the substance, if not the form, of Socialism in the State and in the Nation and in all the manifestations of public authority. We have compromised and temporized with it in all its protean pretences. Political parties have adopted a share of it in order to soothe and to smooth its adherents and advocates. Teachers, instructors, philosophers, lovable and admirable in all the service they render their country, removed from the life and strife of the world, have embraced its alluring theories and in turn have filled the mind of the youth of the country under their tutelage with its seductive influence. Labor organizations have found in its promise the hope of escape from the hours of grinding existence of labor. Ministers have adroitly confused it as a form of Government with the substance of Christian faith in the Redeemer. Lecturers have padded their prosy productions with its fatal appeals to the imaginations of men. Orators have delighted themselves, if not their audiences, in spectacular flights to its vanishing heights and bewildered both themselves and those who listened with the prodigal splendors of its lavish benefactions. Sensationalists have seized upon it as a theme not so much to teach it as to exploit themselves. Authors have dragged their eager readers through long reaches of whimpering nonsense and lachrymose drivel in order to sell their incoherent productions to a restless public. Anarchists, whose sole object is the subversion of civilized order and whose real weapon is the flame and the sword, have masqueraded under its soft-spoken hypocrisy until they were stripped of their masks and stood revealed as they really are, the brutal and implacable enemies of civil society. The unfortunate of the country, upon whom poverty or misadventure has imposed the burden of a hard and grinding existence. have been misled by its fatuous promises and embittered by its vicious appeals to their easily provoked prejudices. And our governments, some of our State governments and in part our Federal Government, not to-day more than yesterday, have been swept by every gust of public opinion and in a sense have been shaping their policies to the rule of expediency. They have absorbed, embraced, adopted or yielded to first one principle of it and then another. In England to-day we read that Mr. Lloyd-George, Chancellor of the Exchequer, presents his budget $26,000,000 more this year than the budget of last year—to do what? To pay the old-age pensions, the insurance taxes, which must be imposed by this social legislation, and the estimate is that in several years of public service it has caused $270,000,000 to be added to the budget of his country—in what? Avowing that he is not a Socialist, he yet has taken into the ancient Anglo-Saxon government the social legislation which has made him and his Government groan under the taxation which is causing men to stand and auction off their property rather than pay the fees to the auctioneer. Political machines, without a thought or a purpose beyond their ability to make the mechanism perfect by which they control the men whom they create, have simulated a sympathy with it in order to hold the numerical strength of the rank and file of their parties.

MEANTIME the socialistic programme has changed. What was once a philanthropic propaganda has now become a seamy political party. The honest if illusive dream of the ancient Socialist has found its home amongst the leaders of modern Socialism in their militant candidacy for office. The modern socialist finds no difficulty in seeking and taking an office whose oath binds him to support the constitutional government which he is pledged by his own creed to destroy. I was in Congress with the only Socialist who ever was there, and please God I hope the only Socialist who ever will profane that temple. I saw him stand at the

bar as we all stood with uplifted hand swearing to support the Constitution of our country, and I saw him file upon the records of Congress memorials that were signed, "Yours for the Revolution"; and I saw in our National Congress the example of what Socialism means. When they pretend that it is the white dove of peace, as a matter of fact behind it there cannot be anything else but disorder and war.

My friends, you may talk about a constitution. A constitution in itself is nothing, unless the constitution embodies in it the tested experiences which have been vindicated by human judgment and human suffering. Our Constitution has embodied in it those things which the fathers of our country, searching all the wisdom of the ages as they did, believed had been tested by human experience; and were finally sufficient to guarantee against any uprising of public opinion certain cardinal principles against which the powers of public opinion even could not prevail.

I wish to talk something which is quite unpopular. I, for one, so far as I am concerned, would not willingly submit my life, my liberty and my pursuit of happiness to a majority of the people of my country. I, for one, hold that the ancient utterance of that document which set on fire the political literature of the world, that these rights are inalienable and they are rights against which no doctrinaire of any new philosophy and no new amendment to the Constitution should be tolerated or indulged. I say that I would shudder if I believed there stood between all the rights of all the people of this country nothing except the mere hope or whim or caprice of irritated public opinion. It was not the scheme of our Government, it never has been the philosophy of this country and it is against that tendency and our apathy towards that tendency that I make my simple protest.

A Voice—America for Americans.

Mr. Littleton—I do not entirely share the suggestion which was made by the gentleman, but I will say this as a modification of your suggestion. America for Americans? Yes; not necessarily those who are born in America, but if any man comes beneath our flag to live as a citizen in our country he must not be allowed anywhere or at any time to attack the institutions of our country with an effort to destroy them.

The Socialist knows, and yet he will not admit it, that his philosophy challenges my right and your right to earn, to hold, to keep, to enjoy and to control the property which we have earned and which we hold and which we wish to keep and which under God's blessing it was the design of the founders of our country we should keep and hold. He knows, but he will not admit it, that he challenges the right to contract and the right to enforce the contract. He knows, but he will not admit it, that Socialism is suicide, that under its government ambition would languish and die in the human heart. He knows, but he will not admit it, that the great creative genius implanted in the individual, in which principle alone he was made in the image of his Maker, he knows that that creative genius will die under the stagnation and the atrophy of the government which he imposes. He knows, but he will not admit it, that all of the idle, the thriftless, the good-for-nothing, the men who will not work, will live upon the genius, the industry and the honesty and the struggle of the men who will work under his system of government.

I have had just as difficult a struggle in life as any Socialist living or dead, and I tell you, my friends, you go home and take it to yourselves, consult the trend of this country, watch the development of your legislation, see the proposals which are made, watch the discussions in your journals, in your magazines, listen to the public utterances and then come back and tell me whether I am not right in suggesting that the overshadowing menace in a great democracy like ours is our constant yielding to this thing, which will be the paralysis of the civilization of the Anglo-Saxon race.

The Future of Foreign Trade*

By JAMES J. HILL — of St. Paul, Minn.

GERMANY has waxed fat to a considerable extent on spoils taken from the foreign trade of Great Britain. And perhaps the most instructive thing in the world would be to consider the means by which so many English markets have been captured by Germany, and why so many industries have changed their seat from Sheffield and Birmingham to the busy manufacturing towns of the German Empire. The main reason lies in the inability of the English manufacturer to change his working conditions in conformity to general changes that have taken place, beyond his power to arrest or alter, in the markets wherein he must give a free field and can hope for no favor. It must be borne in mind always that the future, and, even more and more surely, the present struggle for foreign commerce must be conducted under rules laid down by civilization itself. No real monopoly of trade can ever exist again, except within the narrowest areas or for an inconsiderable space of time.

It follows, necessarily, that all competitors must enter the lists under substantially equal conditions. Now England had controlled so large a share of the world's commerce in manufactures for so long that she apparently forgot this. She encouraged or permitted the establishment of conditions that left her hands tied as against a free competitor. And the reason for dwelling at some length here on this is that the United States is following her example. The power of the English trade unions became practically arbitrary in fixing wages, hours and general working conditions. Germany found that, with a more advantageous wage scale, she could go into the world's markets and compete at prices which England could not meet. Hence the enormous growth of German exports of the manufactured articles. Hence a competition which the United States itself cannot meet in many lines, and which it could not meet at all did not immense and accessible natural resources and, in certain lines of manufacture, the use of highly skilled labor and highly complicated machines which cheaper labor is not competent to handle, give us a temporary advantage. But that advantage, like every other exceptional local condition in world trade, tends to be equalized and disappear. For, in the vast pool of the world's activity, where the material, the worker, the machine, the method, fly from one end of the earth to the other at call, only a purblind nation can dream of basing its future on anything less commanding than equality or superiority in the elements of production; including, of course, the wages of labor and the remuneration of capital.

This Great Britain has not yet fully realized. The United States does not appear to understand it at all. Widespread and long-continued industrial distress in England come from attempting to hold markets against competitors while maintaining a wage scale that does not permit her to meet their prices, and does not offer to capital an inducement to go into new fields of development or even to remain where it has hitherto been occupied. She meets this not by removing the shackles from her industries, but by fastening other shackles on her capitalists; fetters that must be added later to those that already gall the limbs of labor. She has entered upon the most elaborate experi-

* From an address delivered before the National Foreign Trade Convention at Washington, D. C.

ment ever seen to compensate the worker for the work he has lost through insisting upon impossible economic terms, now that work is no longer to be had, by a vast eleemosynary system which makes the State pay for his unemployment, his sickness, his misfortune and his death. He is to be sustained in his position of inability to compete with other workers; and he is to be protected against the penalty of his economic defiance at the expense of the whole community. The budget just presented calls for an annual expenditure of over a billion dollars. Twenty years ago it was half that sum. Taxes are now accomplishing actual confiscation.

REDUCED to its simplest terms, this project is not "humanitarian," but unspeakably cruel; though that high-sounding word and its familiar fellow, "social justice," are common cloaks for legislative cowardice or incapacity that does not dare apply the real remedy to the obvious disease. It merely postpones the inevitable, and intensifies the catastrophe which can no more be averted than hunger can satisfy itself on air. Great Britain is now maintaining many of her industries in an artificial condition by appropriating for the support of one class of her people the property of another class. Let it be understood that this discussion has nothing to do with the moral of the process, but only with its economic consequences. The British Empire is now sustaining itself by sequestering, under one guise or another, the stored accumulations of past generations. The end of that policy comes when this accumulated capital is exhausted or has removed itself beyond the reach of legal capture. When that day arrives, Great Britain will be face to face with her real problem. Its magnitude and its difficulty will be almost unique in history.

But the burdens placed by unwise restrictive legislation and unnecessary taxation upon business in the United States are producing their natural effects here also. Industry slackens less because capital is dissatisfied with the present than because it is uncertain of the future. Just such mistakes as Great Britain has made and is making may confront the American workingman with a lost job, an empty cupboard and no younger and more promising land to which he can emigrate as his needy fellows have done for centuries when caught in the vise of economic errors or commercial revolutions.

World trade cannot be a one-sided affair. Capital must be considered as well as labor, because they are "useless each without the other." When a plant ceases to be remunerative, it must be shut down. No miracle will keep it running indefinitely at a loss. But then the employee is out of work. He sees, not far ahead, the prospect of suffering for himself and his family, or removal to some more favored land. Even if he is able to persuade some crack-brained enthusiast or some coldly selfish politician to vote him a support at the public expense, under compulsion of law, neither can that last forever. Sooner or later all outside resources are exhausted. Capital must insist upon its fair remuneration and labor must insist upon a fair wage and no more, in the wide lists of the open world. Back of both, as behind most of the great movements and achievements of the race stands the stern and compelling figure of death, their final umpire.

This material world is a creature of the law of reduction to a common level.

The nations first united to suppress piracy, then joined against the slave trade, and now find thread adding itself to thread in the busy web which is to cover the whole. Postal unions, Red Cross societies, international agencies of many kinds are preparing the way for world-wide arbitration. The capture and the holding of foreign markets will depend, in the long run, on the same things that make domestic success or failure. In the not distant future wage scales, profit percentages, all the conditions of production, will more nearly

standardize themselves automatically all over the world. Then nature's master hand will apportion different forms or divisions of industry according to the plan of her own handiwork. Then individual and national qualities will maintain a world-wide competition, and the fittest will prevail.

Operation of the New Banking Law*

By JOHN SKELTON WILLIAMS Comptroller of the Currency

THE law does not require a single business man to change his account from the bank with which he has kept it, or any business man or bank to suspend dealings with the bank or banks in the central reserve or reserve cities with which they have in the past been doing business. It does offer to banks freedom of choice. It says to the banker that he can follow his preferences, sentiments or habit in selecting the source of his borrowing; and the member banker of any Federal Reserve District may feel free and peaceful and at ease when he knows that he has in his portfolio notes, drafts and bills of exchange arising out of actual commercial transactions which he can convert into money at his Federal Reserve Bank with greater ease and promptness than it has sometimes been possible for him to withdraw his cash balances from his reserve agents, and almost with as much ease as it has ever been possible to draw on credit balances with any correspondent. He is not dependent on the whims or fortunes of any other bank. He need not shiver at the prospect of abundant crops for fear he may not have available the funds with which to meet demands for moving them. He will know that if he needs money to accommodate the bank's customers he can, as a matter of right, call on his Federal Reserve Bank.

Secretary McAdoo last summer met with admirable foresight and wisdom the annual crop-moving scare by putting the resources of the Federal Treasury at the service of the farmers and bankers of the country, just when there were evidences of a purpose to make money scarce and high and to bring on trouble. The country is under endless obligations for that, but we cannot depend on having always in command of the Treasury Department a man so courageous, so ready, so careful of the public needs, and so careless of the wishes of a selfish money power.

Among other benefits, the new currency law, by its direct system of clearances, will release and make available for purposes of trade and commerce hundreds of millions of dollars, which, under the old system, have been tied up in tedious processes of collection. It will also save to banks and to merchants and business men generally some millions of dollars which they are now paying, directly and indirectly, for the collection of country checks and checks on outside cities.

To refer more particularly to your own district, the Fifth, I will try to explain to you how the new method will work in transactions of domestic exchange.

In this district, embracing the States of North and South Carolina, Virginia,

* From an address entitled "Democracy in Banking," delivered at the annual convention of the North Carolina Bankers Association.

West Virginia (except four counties); the District of Columbia and Maryland, there are some 475 member banks.

A cotton mill at Columbia, S. C., under the old plan sends its check on its Columbia bank for a shipment of coal, to the coal company at Bluefield, West Virginia. The local bank at Bluefield forwards this check to its correspondent in Richmond. This correspondent sends the check to its own correspondent in Columbia, who makes the collection from the Columbia bank and then draws a check on New York for New York exchange, which it remits to Richmond. The Richmond bank thereupon notifies the Bluefield bank of the collection of the item. The collection and exchange charges on distant country banks amount usually to from one-tenth to one-fourth of one per cent., or possibly more, and probably a week or more elapses between the remittance of the South Carolina check to the Bluefield bank and the time when the Bluefield bank gets its report that the item has been collected and placed to its credit in Richmond.

Under the new currency act "every Federal Reserve Bank shall receive on deposit at par from member banks * * * checks and drafts drawn upon any of its depositors." That means that the Bluefield bank receiving the check on the Columbia, S. C., bank mails it to the Federal Reserve Bank at Richmond. The Federal Reserve Bank at Richmond thereupon charges the Columbia bank with the amount of the check, credits the Bluefield bank with the proceeds and notifies the two banks accordingly.

The Federal Reserve Act also provides that each Federal Reserve Bank shall receive at par, and credit accordingly, all checks and drafts drawn upon any of its member banks, from every other Federal Reserve Bank; that all checks and drafts drawn by any depositor—that is to say, by any member bank—on any Federal Reserve Bank, shall be received and credited at par by every other Federal Reserve Bank. This means that the checks of the member banks in the country towns throughout these five States are worth their full face value, without deduction for exchange or collection charges, to every other member bank, and that the amount of each check may be cashed at par immediately, without following the devious and roundabout courses now observed in the collection of checks. Virtually every bank in the Fifth District is only one night distant from Richmond, and a check mailed one afternoon in the most distant portions of the district should reach Richmond the following day in time to be included in that day's operations of the Federal Reserve Bank.

LET us now consider another aspect of the new law: Under the old National Bank Act, a national bank with a capital of, say, \$200,000, deposits of, say, \$1,500,000, bills receivable amounting to \$1,200,000, and \$300,000 reserve, would only be permitted to borrow a total of \$200,000, the amount of its capital. If a run should start on such a bank the amount which it could raise by loans, if strictly held to the old law, would be but \$200,000, the amount of its capital, which might be quite inadequate to meet a run, and the bank, though thoroughly solvent, might be forced to suspend.

Under the new law, however, if a bank with \$200,000 capital and deposits of \$1,500,000 should have loaned \$1,200,000 to its customers on commercial paper and should encounter an unexpected run, in addition to borrowing \$200,000, the amount of its capital, such a bank would have authority to rediscount with the Federal Reserve Bank of which it is a member notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, having not more than ninety days to run, to any reasonable extent which may be approved by the Federal Reserve Bank to which application for such rediscounts may be made. In other words, if such a national bank as we have used in this illustration should have loaned the entire amount of its deposits, less the fifteen

per cent. which it is required to keep as reserve, to its customers on acceptable commercial paper, and for any unexpected reason should be subjected to a run, the Federal Reserve Bank of its district would have the authority to rediscount for the member bank the entire amount of its bills receivable, as represented by its commercial paper, thus enabling the bank to pay its depositors immediately and in full.

We cannot overestimate the value of the additional security which this provision of the act confers upon every honestly, capably managed member bank, and the relief from strain and anxiety and from the fear and apprehension of panics and unreasoning runs which it gives to the officers of every member bank.

ANOTHER important change provided for by the Federal Reserve Act is the new arrangement for the compensation of national bank examiners. Under the present law the compensation of national bank examiners is based, except as to reserve cities, on the capital stock of the bank examined. Under the operations of this law a national bank examiner has been receiving for the examination of a certain national bank in the Fifth District, with over $9,000,000 of assets and many thousands of accounts, the munificent sum of twenty-five dollars. It is, of course, clear that an examiner could make only an imperfect examination of such a bank in the space of three days, at a compensation of say eight dollars, per day, out of which eight dollars allowance he has to pay his own railroad fare, hotel expenses, as well as clerical assistance. It is not unnatural that but few examiners would willingly spend the ten days or two weeks which it might require to make a thorough examination of such a bank, when he is running personally in debt in doing so.

Under the new currency law the Federal Reserve Board, upon the recommendation of the Comptroller of the Currency, is given authority to fix the compensation of bank examiners on the basis of annual salary, so that those banks which need additional time and attention from the examiner may receive the careful, close scrutiny which the case may call for. It is believed that the new system of bank examinations will reduce materially the number of bank failures and enable the Department to check up many abuses and correct many evil situations which in the past have been ignored or glossed over by examiners in their hasty and incomplete investigations.

I THANK you, gentlemen, for the opportunity to address you. Approaching the study of this new and revolutionary measure with the caution natural to every man trained in banking under the system with which we have grown up, I have become more thoroughly aroused to its merits, and more deeply impressed, as I have watched the methods of construction, the processes of growth, and have considered the underlying principles directing those who did the work.

It would be unjust, in congratulating ourselves upon the benefits and blessings we are to receive from this epoch-marking piece of legislation, not to acknowledge the obligations we owe, for the splendid results achieved, to the patient and untiring labors, resourcefulness and constructive genius of the distinguished Chairmen of the Banking and Currency Committees of the Senate and House of Representatives and to the Secretary of the Treasury, whose counsel, skill and support in the shaping and enactment of this great measure were of inestimable value.

Here in North Carolina the records show magnificent natural progress and you have special interest in changes in the banking system which are so surely destined to promote and encourage your growth and expansion.

In the triumphs of peace and industry, as in the glories won on battlefields, and in the domain of statesman-

ship, all classes of your people have done full and honorable parts; have united in making the name of your State stand high, and shine bright, in the roll of the States, in building and maintaining this mighty Republic of ours. You are living true to your record, have furnished to the cabinet two of its ablest and most useful members, North Carolinians, tireless, faithful and courageous, the strong supporters of huge responsibilities.

I invoke your aid to promote the success of this new system in which your calling gives you special interest and opportunity. It is a system designed to distribute the benefits and blessings of ever increasing resources and wealth equitably among your people of all stations who have done so well their respective parts towards creating your greatness. I believe this new system for which we are indebted, in a great measure, to the patient guidance and masterly leadership of the scholar and statesman, chosen to the Presidency, will bring new strength, new scope, new assurance to our entire commercial system; and for your State, and my State, and all the States, and the people as a whole mean deliverance from dangers that beset us, and a new career of advancement based on the solid foundation of real substance, honesty, justice, and democracy in its highest meaning and purpose.

New York Savings Banks Under the New Law

FOR the first time in their history, the savings banks of New York State on July first passed under a uniform test of condition. Heretofore, in the semi-annual reports, each bank has been allowed to place its own estimate of the market values of securities, and it is obvious that with one hundred and forty men all interested in showing as large a surplus as possible, and looking at the security market from one hundred and forty different angles, uniformity has been impossible. Many banks submit their lists to selected brokers for valuation, and this is as near an ideal test as can be had, allowance being made for the fact that the broker is a seller of bonds. But with the estimates of two or three good houses in hand conservative valuation would seem to be in order; but not one whit of uniformity.

The nearest approach to a check upon the banks has been an impending visit of the bank examiner, whose values are supposed, at least, to be conservative; and as a rule banks like to have their figures in agreement with those of the supervising officials.

UNIFORM VALUATIONS

UNDER the New York Banking Act which became operative April 16 last, the Superintendent of the State Banking Department is required, on or before the first days of June and December of each year, to furnish each savings bank with a list, giving with such detail as he may deem necessary, the market values, either specifically or by classes, at which all bonds held by it shall be reported as of the following July and January first. In making such valuations, he is to be guided by actual sales as ascertained, or reported

by stock exchanges and financial papers, during the preceding five months, and by general business conditions.

This provision will vastly improve the old method, and will place all banks under a uniform test of solvency and is one of the most commendable features of the new law.

The Superintendent must also, beginning January 1, 1915, and each year thereafter, furnish the banks a list of bonds of States and municipalities that conform to the law. Also as complete a list as is possible of the railroad bonds which likewise conform to the law. He may employ experts, and the expense is a charge upon the banks. He is not responsible, however, for the omission of the name of any State or municipality, or of any railroad, nor on the other hand for the inclusion of any illegal security.

NEW SAVINGS BANKS

NEW savings banks will be quite difficult to organize owing to the stringent restrictions imposed. As a matter of fact only four have organized in the State within the past ten years. Before opening its doors, the bank must create a guaranty fund in cash of not less than $5,000, and contract with the Superintendent to make further contributions if the solvency or safety of the institution shall so dedemand. Such contributions are not to form a liability of the bank.

There shall also be created an expense fund of at least $5,000, and agreement entered into to make such further contributions as may be necessary or needful to pay the operating expenses until such time as the bank can pay the same from earnings, together with dividends to depositors. Such advances are not a liability.

The investment section is left untouched, although it was proposed to extend the scope by admitting equipment bonds—a type of whose safety there has been no question.

The "limit account," over which there has been much controversy and many opinions, for and against, and the possibility of duplication thereof, is now a settled question. The aggregate amount to the credit of any individual at any time, including in the total, deposits as trustee, or beneficiary under a revocable trust, and all deposits in joint form shall not exceed $8,000, exclusive of dividends, and exclusive also of deposits arising from judicial sales, or trust funds as executor, or administrator, or trustee, provided a certified copy of the instrument or decree of court making such appointment is filed with the bank.

All deposits of this nature are hereafter restricted as noted, but those made prior to July 1, 1918, are not disturbed. But additional accounts over the limit may be maintained in the name of a parent as trustee for a dependent child or minor, or in the name of the child as trustee for a dependent parent, provided that not over $25 shall be deposited in such account during a period of six months. The legal notice of withdrawal is now sixty days.

A very commendable change in the law permits savings banks to pay accounts of deceased persons where the balance is less than $250 without requiring letters of administration, and the bank is held harmless if the payment is made after one year from decedent's death, and an action to recover cannot be maintained unless it is brought within one year from the date of payment.

This is now the custom in a great many banks, and no losses have been experienced in making such payments. It will materially help the small depositor whose deposit heretofore in some banks has been, under certain conditions, as difficult to withdraw as could possibly be the case. Both bank and depositors are now protected.

The available fund is now twenty instead of ten per cent., and the amount on deposit with depositaries is limited to twenty-five per cent. of the capital and surplus, which is no change

from the old law, but the amount on deposit with a bank in which a trustee is a director is limited to five per cent. of the deposits, which will most assuredly affect some institutions.

THE SURPLUS

THE surplus fund and how it should be computed has been a bone of contention for upwards of five years. The banks never could get together on the question, and all attempts at legislation on the subject have been futile. As a matter of fact, had a compromise not been effected, it is doubtful if the law would have been enacted.

The surplus fund is hereafter to be termed "guaranty fund." To determine the amount of such fund, the total liabilities due and accrued, the undivided profits and net earnings since the last declaration of dividend shall be subtracted from total assets. The assets shall be valued as at the valuation heretofore mentioned, by the Superintendent of Banks. Real estate not above cost; if acquired by foreclosure, as appraised by the trustees; and debts upon which interest has been in default one year, or judgments unrecovered for two years, shall be excluded. The manner of calculating the earnings for a period is explicitly stated. After determining the net earnings for the period, savings banks having less than ten per cent. surplus or guaranty fund shall deduct from the net earnings and credit to guaranty fund, the following amounts:

Year	Per cent
1914	5
1915	6
1916	7
1917	8
1918	9
1919 and after	10

The balance is applicable to dividends, which are not, however, to be reduced below three and one-half per cent. The limit of the guaranty fund is raised from fifteen to twenty-five per cent. The minimum number of trustees is reduced from thirteen to nine. And in order that trustees of savings banks in New York city may still be eligible, although residents of other States, it is provided that one-fifth thereof may be residents of an adjoining State.

Two restrictions that will not be received with open arms in some quarters are: (a) A trustee may not receive directly or indirectly and retain for his own use any commission on or benefit from any loan made by the savings bank, or any pay or emolument for services rendered to any borrower from the savings bank in connection with such loan, except as authorized; (b) require borrowers to negotiate policies of insurance through a particular brokerage house, or attempt to divert to any particular broker the patronage of borrowers, or refuse to accept any such policy because it was not negotiated through a particular channel. This was a particularly unjust and unwarranted restriction in some banks that now happily has been legislated into oblivion.

Trustees may not even become the owner of property on which the bank holds a mortgage. Heretofore this was permitted. on the theory that it was not a debt of the trustee, but simply a debt following the ownership of the property. Loans to corporations in which trustees individually hold fifteen per cent. of the stock or jointly twenty-five per cent. of the stock are considered in contravention of this prohibition. A trustee may now be removed upon a three-fourths vote.

Savings banks may now pension their employees who have served for a period of thirty years, or who shall have served twenty years and become incapacitated, or who shall have served twenty years and attained the age of sixty years, in monthly installments, not to exceed two per cent. of the average annual salary for the three years immediately preceding his retirement, for each year of service, not to exceed sixty per cent. of the aver-

age annual salary of the last three years.

The law now authorizes what has heretofore been practiced without other than judicial sanction. Whenever the bank becomes insolvent by reason of losses, the supreme court may, upon petition, order a reduction of the liabilities by dividing the loss equitably among the depositors. This process has obtained in several cases in the past with most satisfactory results, and is a feature quite distinctive in savings bank administration.

Altogether, New York has as good a savings bank law as would seem to be possible—at least as satisfactory as could be expected with many interests determined that a policy of "leave well enough alone" should obtain.

The Importance of Distinctive Stationery for Banks

By W. R. MOREHOUSE, Assistant Cashier German-American Trust and Savings Bank, Los Angeles, Cal.

THE up-to-date business man, on entering into business relations with other business houses, is depending more and more on his knowledge of seemingly unimportant or even trivial details, constructing from these his estimate of the character and quality of these institutions. The banker particularly is compelled to submit to the closest inspection of all, since from him the business man is unwilling to accept anything less than the highest efficiency in service. The banker has not always recognized the keenness of this critical inspection, and that he is creating an impression on the minds of his customers and clients. He has often felt too independent of his customers, clients and correspondents, and thus has frequently fallen behind in the progressive advance which other large semi-public institutions have made. But even the bank which desired to create an impression of its distinct individuality was sometimes not able to accomplish this in its use of the printer's and lithographer's art, for only recently has this art reached such a standard that its products have given the desired result.

Printing conveys to the mind of the reader something more than the facts contained in the statements made. It creates impressions. Thus, strange as it may seem, many intelligent people are reading the character of our banks through the stationery they use. It is no longer a matter of sentiment that a bank considers the question of stationery from this point of view, but it is essential to its success that only stationery which is distinctive of the banking business be employed. Little does the public care how the banker feels about substituting an artistic print type for the old style, nor will they consult him in the matter; but they will pass judgment on the bank that fails to keep up to the banking standard. Many a discerning business man has determined in his own mind a bank's inclination toward progress by the general appearance of its stationery. If this be true, the logical stationery for use by

banks is that which creates favorable comment and accordingly builds prestige.

Our banks are investing annually millions of dollars in new buildings and modern equipment, and while it can be said that a part of this vast outlay is for the purpose of facilitating the banking business, it is just as true that the larger part is expended for the purpose of creating a favorable impression on the public mind. Why do we import costly marbles and fine woods for these structures? Surely this is not to facilitate or make easier the banking business. But even in our great effort to create this favorable impression on the observing public, we too frequently overlook the quality of stationery displayed on our elegant counters, and the harmonious effect is marred.

The business man is quick to notice that which is cheap and not in keeping with the surroundings. He knows when his pen plows and the ink spreads through a spongy wood pulp paper that the bank has not kept up to its standard. Even the very ordinary business man who goes into an elegantly furnished banking room is disappointed when on opening an account he is given a cheap paper-bound check and pass-book, for he reasonably expected something better. Give this same man a leather pass-book well made and well printed on good paper, and with it a book of lithographed checks, and the favorable impression which he gathers from his commodious and attractive surroundings is materially augmented. Let the same man buy a bank draft, and if it has a noticeably cheap appearance, it does not represent full value to him. He may even feel that by using a draft of this nature the bank is unnecessarily putting him at a disadvantage, particularly if he contemplates travelling. Whether he presents it for payment at a hotel or bank, he may well have a suspicion that owing to its cheap appearance its genuineness may be questioned. Instead, give him a draft that is artistically designed and perfectly lithographed on some high-grade safety paper, and its appearance convinces him beyond doubt that he will have no difficulty in negotiating it.

STATIONERY INDICATES THE CHARACTER OF A BANK

OUR banks have been so persistent in advocating the use of the check that we find nearly every housewife using checks in payment of her household expenses. The use of the check is no longer confined to commercial transactions of large amounts, for it is a common thing to receive checks written for one dollar or less. To curb the practice of using numerous small checks would entail labor which no bank could afford to undertake; and it is safe to expect that the number of checks will increase rather than decrease as time goes on. Millions of these checks flow through the avenues of trade each day, and notwithstanding there are countless numbers of them, each carries with it a certain significance, for it creates impressions. For this reason there are many men who will not hesitate to form an estimate of the character of the bank on which a check is drawn by the general appearance of the check. Every person who himself demands only the best will appreciate the appearance of a check if it is a work of art, and will think more highly of the bank on which it is drawn. The same person knows well enough that a poorly printed check, on cheap paper, is an indication of some indifference on the part of the bank, or that it cannot afford something better.

All that has been said regarding the pass-book, the bank draft and the bank check can be emphasized in the case of the bank letterhead. A progressive bank will have no apologies to make in this regard, for it will use only a letterhead which is a specimen of the master printer's art. Nevertheless we have a class of bankers who are inexcusably careless in this regard,

and who have failed to recognize the vital importance of using stationery which reflects credit upon the banking fraternity. Reading matter may be ever so convincing when considered separately, but when displayed on a cheap-appearing letterhead its effectiveness is materially curtailed. On the other hand, if it is in keeping with the high standing of the banking business, a favorable impression on the recipient is made at once. Of all stationery used in the banking business the letterhead should have a predominating and characteristic individuality.

The basis of all good printing is the paper. Plates may be perfect, the matter to be printed excellent, and the arrangement and press work of a high grade, but these qualifications without a suitable paper will produce an inferior job. The American market affords a wide variety in bonds, ledgers, safeties and flat papers, and owing to this variety it is not an easy task to select the paper which is best suited to the job in hand. The suitability of paper must be considered from a number of angles, chief of which are its strength, durability, flexibility, erasive qualities, texture, and last, but not least, the fastness of its colors.

For bank letterheads and form letters nothing is more suitable than a high-grade medium weight bond, such as some of our reputable mills are manufacturing to-day. For bank drafts a standard safety paper or light bond of the highest grade obtainable is sure to give satisfaction, while a light bond of medium grade is suitable for ordinary bank checks; and for deposit tickets a flat paper will give good service. For ledger sheets and statements where there is considerable wear, a good durable ledger paper of medium weight will be found adequate, while for advertising purposes the paper selected should carry a distinctive tint.

Any banker who is unfamiliar with paper and who does not have the utmost confidence in the judgment of the printer, can profit by consulting the nearest State or county office and the leading corporations, and ascertain from them which paper has proven the most satisfactory, and this information, together wth such as can be gathered from other sources, will be very helpful and profitable. Or if this is not practicable, a mistake will be seldom made if the banker buys paper of standard brands. If the bank employs a master printer, the selection of paper for different jobs should be left to his discretion, for his long years of experience qualify him to select that which best suits each job. He will not be induced to select a paper simply because the paper dealers have nothing better on hand, but will demand that such as he wants be secured. As a master in the printing business he knows that the effectiveness of the printing depends largely on the paper which he selects, and that his reputation may be jeopardized if he fails to discharge his full duty toward the bank.

Many of the difficulties which necessarily confront the banker who acts as the bank's purchasing agent are eliminated if he has the coöperation of a master printer. It may in the beginning appear to cost more to employ a man of large experience in the printing business, but the fact is that, all things considered, it costs considerably less. As a rule, those known as "average price" master printers aim to make a net profit of from twenty to twenty-five per cent. over cost of materials, labor and a reasonable allowance for up-keep of the printing plant. While to some bankers this may appear exorbitant, it is after all, service considered, far more reasonable than paying a ten per cent. net profit to inexperienced "cut-rate" printers.

METHODS OF REDUCING THE COST OF PRINTING

THE best way to reduce the cost of any piece or number of pieces of printed matter is to increase the size of the order, which materially reduces the actual cost of production to the

printer, who will generally give the banker the benefit. The price may also be reduced by allowing the printer or lithographer ample time for completing your work. This allows him to run your job in with other work, thereby decreasing the cost of production, by which the banker will profit equally with the printer. This is particularly true with regard to a large job of lithographing, as with letterheads, bank checks, etc. Still another way to reduce prices and at the same time keep up the standard is to allow the master printer to select such materials as are in his judgment best suited to your needs.

There are many other ways of reducing the cost of stationery, but one which should be mentioned above all others is that of economy in its use. Demand that stenographers be careful in the use of letterheads, and exchange tellers in the use of bank drafts. Employees should be cautioned against using printed stationery for scratch paper. This practice is almost universal throughout our banks, and is an evil of enormous proportions. Small printed slips which are used indiscriminately may not be expensive, still the same paper without the printing would cost considerably less, while a cheaper paper would answer the purpose of scratch paper fully as well.

STANDARDIZE

STANDARDIZING is one of the great ideas in modern business. It is practised in almost every line of commercial activity, and has been found one of the principal avenues leading to success. Likewise, standardizing in the matter of bank stationery will be found profitable from the standpoint of economy, as well as facility in its use.

And finally, when considering your next job of printing, after enlisting the expert coöperation of a master printer, let there be a mutual effort to produce such stationery as will in the hands of a critical and discerning business public reflect credit on your institution, and build for you a greater prestige.

Cards for Savings Banks

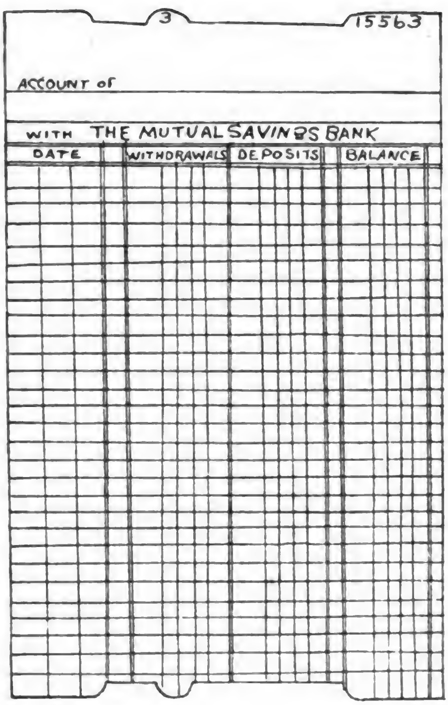
By SAMUEL L. HOOVEN

MY personal experience with both the bound book and card ledger for use in the savings department of a bank has been such as to allow comparison of the merits of both. The card ledger stands out as being the one, in my mind, most adapted for accounts of this character. I will, therefore, endeavor to explain, in as few words as possible, the system as I know it.

When an account is opened with a savings institution, it is customary that a signature card be filled out by the new depositor, giving the data as required by the institution for the purpose of identification when withdrawing funds from the account. This signature card is given a number and this same number appears on the depositor's pass-book when the initial deposit is made. The ledger account is also given the same number as appears on both card and book, all three numbers being the same.

A duplicate draft, however, is taken

from the signature card and filed in alphabetical order, according to name, this to be used should a depositor lose the pass-book. By referring to the name you can ascertain the account number. The numbered card bearing the original signature is filed, according to number, for ready reference by



REDUCED FACSIMILE OF LEDGER CARD

the paying teller when funds are withdrawn.

All the deposit tickets received during the day are passed to the bookkeepers the following morning ready for posting. The card upon which the depositor's account is kept is conveniently ruled in such manner as to show the present balance at all times standing to the credit of the depositor. (See form above.)

Each card ledger drawer contains one thousand active accounts arranged in exact numerical order, being subdivided by guides every ten cards. The guide card is of a different color and ds up above the ledger card sufficiently to show the subdivisions, which are numbered ten, twenty, thirty, etc., up to ninety. There is also a division card for each hundred, this card being of a still different color. The tabs of the division or guide cards are celluloided in order that they may not wear out from handling.

As you will note from the form, each ledger card has the terminal figure of the account number on a small tab which is slightly raised above the top of the card. For instance, the tab on card No. 15,563 would have a small 3 thereon and would be filed between a sixty and seventy division card which would be found after the hundred guide marked 15,500. This allows ready. and I must say almost instant, reference to the card indicated.

The deposit tickets and withdrawal tickets or receipts are assorted in exact numerical arrangement, each ledger's transaction being fastened together in a secure manner. After all the tickets are sorted and subdivided, according to each ledger drawer, the bookkeeper is then ready to post.

Starting with the first ticket the bookkeeper refers to that card, removes it, makes the credit posting, changes the last balance by adding thereto and drops the card behind the follow-up block in the rear of the ledger drawer. All credit postings are made in the same order.

The withdrawal tickets are then posted, deducting the various amounts from the previous balance, the new balance being extended on the proper line. This card is likewise dropped behind the follow-up block in the same manner as the credit postings and behind the cards upon which credit postings have been made. Where an account has two transactions, both debit and credit, the card is withdrawn from its place in the rear of the drawer, the entry made and the card returned to the same location.

The bookkeepers post each successive drawer until all postings have been made; they are then ready for the proof of their work. This is done as follows: The deposit tickets re-

ferring to each ledger are run up on the adding machine, as are likewise the withdrawal tickets. The total of each ledger's transactions should represent the total of the previous day's receipts and disbursements. The bookkepeers then remove the cards that have been active, run up the credit entries on the adding machine and this total should agree with the total of the deposit tickets for that ledger. If they agree, the bookkeeper is assured that the entries have been accurately made. If there should be a difference, by checking back the postings it is an easy matter to locate and correct.

This, however, does not prove that the balance has been properly extended. An error in this respect is caught only when the ledger is run off for settlement at a stated period of the month. After the debits and credits have been proven with the totals of the deposit tickets and the withdrawal tickets of each ledger, as above explained, we are certain that the proper entries have been made. The ledger cards are then ready to be filed back in their proper places in the drawer only to be referred to again when a transaction occurs.

ADVANTAGES OF THE CARD LEDGER

THE advantages of the card ledger over the bound book are many. The account can be referred to almost instantly, whereas with the bound book it requires considerable leafing. Only the card is handled upon which a transaction occurs, whereas with a bound ledger it is necessary to page until the account is found.

The proof of posting with a card ledger is more easily accomplished than with most any form of book ledger now devised. The only cause for disapproval I have ever heard regarding the card ledger is that there is danger of a card being lost. In the five years the writer has been using this system there has not been more than a half dozen cases when the card could not be found when referred to and, in each instance, the card had been filed in the drawer either to the right or left of its proper station. I can, therefore, see no logic in this argument as it takes but a short while to locate it. Closed account cards may be removed and the ledger kept in compact form, only active accounts being carried. The closed cards are removed while the trial balance is being taken and are filed in a transfer drawer used for this purpose.

However, as a precaution no cards are permitted to be removed from the desk and signs along the thirty-five ledger drawers in operation read: "Cards must not be removed from this desk." It is, therefore, a serious matter as the bookkeepers see it and tends to make them very careful in this respect. In fact, they are with their cards as a teller is with his cash.

In order to determine whether or not the ledger is in proper control, a summary book must be kept. In this book is an account with each card ledger from one to thirty-five, and the total credits and total debits are posted to their respective accounts at the end of each day, the total debit and credit amounts being posted to a general summary account, which is kept in the back pages of the same book. The balances of all the card ledgers (which, of course, would be credit balances) added together should equal the balance of the general summary account.

In summing up the advantage and convenience of the card ledger, I might refer to the simplicity of method, ease of access, instant reference, elimination of closed accounts and the adding of new ones, accurate proof of posting and the general ease with which the accounts may be handled. They are all talking points in favor of the card ledger for savings institutions. The writer does not hesitate to express the opinion that the card ledger will, in time, supplant the bound book in most lines of commercial business.

Banking and Commercial Law

CASE COMMENT AND REVIEW

I Will Have My Bond !

A CASE holding out a warning to all banks having dealings with persons acting in a representative capacity appears in this number, under the title Thayer vs. Erie County Savings Bank. Tersely stated the facts were: A woman was appointed to act as committee of the person and estate of an incompetent, the appointment becoming effective upon filing a bond. This she failed to do until two and a half years afterward.

Whether the court was lax in issuing a conditional appointment upon the strength of which innocent parties would act in good conscience is a debatable question. It would seem at least to be against public policy. However, this paper was issued, and on the strength thereof and without knowledge of the failure of the bond, the bank paid over the money. Part of the fund was placed in an attorney's hands as security for obtaining the bond, and part expended in the interest of the incompetent. The two thousand dollars in the attorney's hands was wasted and the ward never received the benefit. The bank was sued and held liable for all that part shown to have been wrongfully used.

The legal points involved will be found in the case and are well worth reading; the practical suggestion is: Never make such payments without ascertaining that the bond has been filed and accepted by the Court and that the appointment is still in force. Certificate that the bond has been given and approved usually appears in the papers; and certificate of present authority to act can easily be secured by the representative, by applying to the proper authority. The bank, in this case, failed to notice the incompleteness of the papers presented, but dealt in good faith with a presumably responsible attorney; yet nevertheless was brought into court to show its authority for making payment to one unauthorized to act in a case where the essential element—the bond—was lacking.

Misuse of Power to Endorse

ONE of the dangers incident to both banking and business is misuse of the power to endorse. A firm receiving a large number of checks daily cannot burden the executive officials with the physical task of endorsing the items, and the power must be delegated. The power is usually restricted to endorsing for deposit only and does not cover the cashing of checks, but nevertheless it is a dangerous privilege to possess, for in the hands of a dishonest employee it easily becomes an avenue to fraud.

The bank becomes a victim when, after dealing with the employee until friendly relations are established, the teller is caught off his guard and cashes a check or series of checks at variance with the employee's powers; for power to endorse for deposit is not power to endorse for the sake of cashing.

One Harriet Cohen had such power and misused it in inducing two merchants to cash checks for her on apparently authorized endorsements of the firm's checks. These items were deposited in the Corn Exchange Bank, New York, by the defrauded merchants, and the bank was sued for the

amount. The endorsements being forgeries, in that they were not made according to authorization, or for the authorized purpose, conveyed no title to the first endorsee; and his title being bad, the bank could get no title; and its endorsement being a warranty of the genuineness of all prior endorsements, resulted in a verdict against the bank. It, of course, has a right of action against its depositor on his endorsement.

Individuals should never cash firm paper under any condition for an employee, and banks only when satisfied that such power exists and is rightfully used. (See Standard Steam Company vs. Corn Exchange Bank in this number.)

Ambiguous Terms in a Promissory Note

WHEN E. C. Litchfield promised to pay Nellie A. Holbrook five thousand dollars "without interest, same to be paid as near as possible to meet her requirements, but I do not bind myself to any specified time that same shall be paid," he evidently knew what he intended to do, and so did she; but she died after only $150 had been paid "to meet her requirements," and the court was asked to determine what the note meant.

In form the note had the following characteristics necessary to a negotiable instrument: (a) It was in writing and signed by the maker; (b) it contained an unconditional promise to pay a sum certain in money and to a specified party, but lacked the third and fourth essentials, in that it was not payable on demand, or at a fixed or determinable future time, and was not payable to order or to bearer. Sec. 20, N. Y. Neg. Inst. Law.)

But an instrument may be a binding obligation although not negotiable. The maker promised absolutely to pay the amount "as near as possible to meet her requirements," and the court had to decide what "requirements" meant, and ruled that in the primary and usual meaning "to require" is to demand; to ask; to call for; and "requirement" is the act of demanding requisition. A New Hampshire court ruled that a bequest of money to be paid as the legatee should "require it," meant as she demanded it, and not as she needed it.

"It is quite possible," says the court, "that the parties contemplated that only part payments would be called for from time to time, though this is not expressed in the writing; but even if so expressed, the instrument would remain an undertaking to pay on demand, and the whole sum would become due and payable within a reasonable time." The court refuses to consider that her "requirements" were the same as her "necessities," even though the maker intended to pay as the latter were manifest. (Ryan vs. Litchfield, Supreme Court of Iowa, Dec. 13, 1913. 144 N. W. Rep. 313.)

Leading Case of the Month

Conditional Appointments

NEW YORK

Committee of the Person and Estate of an Incompetent—Surety Bond—Misapplication of Funds

New York Supreme Court, Appellate Division, Fourth Department, January 14, 1914.

THAYER V. ERIE CO. SAVINGS BANK.

Payment made to one acting as committee of the person and estate of an incompetent, on judicial order requiring bond to be filed before appointment becomes effective, is unauthorized, if the bond has not been filed; and a bank making such payment is not protected unless it can show that the funds so paid were expended in the interest of the ward.

ACTION by Wallace Thayer as committee of the person and property of William Glynn, an incompetent person, against the Erie County Savings Bank. From a judgment (81 Misc. Rep. N. Y. 493) dismissing the complaint, plaintiff appeals. Reversed, and judgment directed for plaintiff as stated.

STATEMENT OF FACT

BRIEFLY stated, the facts in this case were as follows: On July 26, 1904, William Glynn was adjudged incompetent. Sarah M. Faller, his daughter, was appointed committee of his estate and person, "upon executing and filing bond for $8,500, to be approved by the court."

After the making of this order and on the same day, Mrs. Faller, through her attorney, withdrew from the bank the whole of Glynn's deposit, $3,126.67. Mrs. Faller had not then qualified as committee by giving the required bond, *nor did she do so until January 22, 1907.* The present action was brought by plaintiff, the successor of Mrs. Faller as committee, to recover of defendant the amount on the ground that the payment thereof to Mrs. Faller was unauthorized and of no effect as against Glynn's estate.

It appears that Mrs. Faller used and applied $1,126.67 of the $3,126.67 she drew from defendant bank to the use and for the benefit of the incompetent. She was induced by one Fennelly, who had acted as her attorney in the proceeding, to sign her name as committee to the check and to draw the fund therefrom; that Fennelly "forced the said Sarah M. Faller to deliver to him the sum of $2,000.00 to be held by him in trust as pretended security for a bond which he was to procure for her. Thereupon Fennelly misappropriated the sum of $2,000.00 and has never accounted for any part of it."

Apparently Fennelly himself presented the check and drew the money and handed over to Mrs. Faller only $1,126.67 thereof, retaining the $2,000.00 in his possession. The referee also held and reported in substance that Mrs. Faller had not become committee until she qualified by giving her official bond, in January, 1907, and that she was not chargeable, as committee, with the $2,000.00 received and misappropriated by said Fennelly, but was chargeable with the sum of $1,126.67 which she applied to the use of the incompetent.

The condition of the bond given by Mrs. Faller as committee on January 22, 1907, is as follows:

"If the said Sarah M. Faller shall and do in all things faithfully discharge the trust reposed in her as the committee * * * and shall in all respects render a just and true account of all moneys and other properties received by her and of the application thereof * * * whenever she is required so to do by a court of competent jurisdiction, then the preceding obligation to be void, otherwise to remain in full force and virtue."

Her sureties upon this bond are solvent and able to pay the whole amount sued for here, but no action has been brought by plaintiff against her or her sureties.

It is admitted that defendant paid the money in reliance upon the order appointing her committee and upon her check or order upon the bank signed by her as such committee.

OPINION OF THE COURT (IN PART)

FOOTE, J.: Payment by defendant of the money it held on deposit for William Glynn to Mrs. Faller was wrongful and of no effect as against Glynn or his estate. Although an order of the County Court had been made for her appointment as committee, she had not qualified by giving the required bond, and her appointment was incomplete. She had no authority to take the custody of any funds or property of the estate.

A committee of the property cannot enter upon the execution of his duties until security is given as prescribed by the court. Code of Civ. Pro. §2337.

Her act in withdrawing the deposit although in form as committee, was, in legal effect, the act of a stranger, and did not bind the estate. * * * Plaintiff is therefore entitled to recover the deposit exactly as if it still remained with defendant, unless defendant has met the case made by plaintiff by showing that Glynn's estate has received the fund or that Mrs. Faller has since become chargeable with it as committee, for, if she has, then the estate must be held to have received it.

As to $1,126.67 of the fund, which she applied to the use of the incompetent and accounted for as committee, it must be held that Glynn's estate has actually received it, and that part of the fund cannot be again recovered. As to the remaining $2,000 which she permitted her attorney to take into his possession on the day it was withdrawn from the bank, we cannot say on this record either that Glynn's estate has received it or that Mrs. Faller is chargeable as committee with having received it, as the only proof as to its subsequent disposition defendant has given is by the concession in the record:

That said attorney misappropriated said sum of $2,000 and has never accounted for any part of it.

That the estate may hold her liable as an individual, or her attorney, is not alone sufficient to charge her as committee, and thus subject the sureties on her official bond to liability. She did not become such committee actually and legally until she qualified by giving her bond, which was some two and one-half years after she obtained possession of the money and passed it to her attorney. It does not appear that she had possession or control of this $2,000 at the time she actually became committee or at any time since, or that she could have recovered the same from her attorney at any time either before or since she qualified.

Is she accountable as committee, in case she is liable as an individual? I think not, unless: First, she has, in respect this $2,000, violated the condition of her bond by failing to "faithfully discharge the trust reposed in her as committee" * * * or to "render a just and true account of all moneys and other property received by her * * * whenever required so to do by a court of competent jurisdiction"; or, second, her bond when executed relates back to the date of the order for her appointment and thus becomes effective from that date to validate her acts in taking possession of this fund.

It does not appear, and it is not claimed by defendant, that she has failed to obey the orders of the County Court or any other court in reference to the trust, or to fully and correctly account, nor is there any basis for asserting that she has not "faithfully discharged the trust reposed in her." The burden of establishing her liability for such a cause is with defendant, and defendant failed to show that Mrs. Faller had any means of her own out of which she could have made good the loss of the $2,000 converted by her attorney, or that by due diligence she could have recovered the money from him.

I am aware of no statute or legal principle by which the bond can be given retroactive effect so as to cover prior dealings of the committee with the trust estate. The condition of the bond appears to apply only to the future. It certainly does not purport to apply to past transactions. It would, of course, apply to such part of the trust estate as the committee actually had in hand at the time it was given, but not to such as had been lost beyond recovery by her previous unauthorized and unofficial dealings therewith. As to the latter, her sureties had a right to assume that she had not violated the order appointing her and the statute, by acting or attempting to act as committee before qualifying as such, and that they were not assuming liability for funds of the trust estate already lost by her unlawful intermeddling.

The liability of sureties is strictissimi

juris and cannot be extended by construction. People vs. Pennock, 60 N. Y. 421. The attempt was in that case to hold the sureties upon the official bond of a supervisor liable for funds of the town which came to the hands of the supervisor, but of which he was not by law the proper custodian at the time he received them, and it was said in course of the opinion denying such liability:

When he (the surety) undertook that his principal should account for and pay over all moneys that should come to his hands as supervisor, the intendment is that such moneys as should, pursuant to law, be received by him in his official capacity and in virtue of his office, were referred to, and not such as he might receive by color of office or because he was supervisor but without right. * * * The principal of the appellant (the surety) was an intruder in respect to the moneys * * * and acted in taking them into his hands, officiously and not officially.

These observations should apply here to the officious intermeddling of Mrs. Faller with the trust estate at a time when the law forbade her so to do. The statute which she thus violated must, as to the sureties, be read with the bond and their liability limited thereby, as in that case.

In our case, we think the obligation which the surety assumed was as to the conduct of the committee in reference to the trust estate after she became such committee, and had no reference to her prior transactions with the estate as an individual or before she could legally act as committee.

Moreover, it is the general rule that an official bond takes effect from the time of its delivery.

Our conclusion is that defendant has not shown facts sufficient to relieve itself from liability to the incompetent's estate for the $2,000 of the fund which that estate has not received and which it does not appear it can recover from the sureties on Mrs. Faller's bond. * * *

We think the judgment appealed from should be reversed, and judgment directed upon the findings already made in favor of the plaintiff against the defendant for $2,000 with $807 in-
-est to and including April 26, 1913, and at the rate of six per cent. per annum from and after that date, with cost of the action to the plaintiff, including the costs of this appeal. All concur.

145 N. Y. Supp. 808.

Forgery

New York

Forged Endorsements, Collections, Warranty of Prior Endorsements—Authority to Endorse

New York Supreme Court, Appellate Term, First Department, March 5, 1914.

STANDARD STEAM SPECIALTY CO. VS. CORN EXCHANGE BANK.

Where an endorsement is forged, or made without authority, no right to give a discharge for the instrument or to enforce payment can be acquired through such endorsement, unless the party sought to be held is precluded from setting up the forgery or lack of authority.

A bank collecting such checks is liable to make good the amount, as its endorsement is a warranty of the genuineness of prior indorsements.

ACTION by the Standard Steam Specialty Co. against the Corn Exchange Bank. From a judgment for defendant, plaintiff appeals. Reversed and judgment directed for plaintiff.

STATEMENT OF FACT

THIS action is brought to recover the amount of eleven checks aggregating $329.79, drawn to plaintiff's order by various customers, the indorsement of plaintiff's name on each of which is alleged to have been forged. These checks were, after such indorsement, deposited with the defendant bank and collected by it for its depositors.

The answer denies that the indorsement were forgeries, and alleges that

plaintiff's employee who indorsed said checks in plaintiff's name was authorized so to do, and that defendant acted in good faith and in due course of business.

Plaintiff owned the checks in question. Its only officers were Norman C. Brizse, president, and Percy H. Pinder, secretary and treasurer. It employed as a stenographer one Harriet Cohen, who was accustomed to make its deposits in the Greenwich Bank, and who was authorized to indorse its checks with a rubber stamp as follows: "Pay to the order of the Greenwich Bank. The Standard Steam Specialty Company"—and to affix at the end of the stamp indorsement, in her handwriting, the words "Percy H. Pinder, Treasurer." Harriet Cohen was not verbally or in writing instructed or authorized by the officers of the Standard Steam Specialty Company to indorse checks, except in the manner above set forth. Harriet Cohen either took the eleven checks in question from the mail, or they were delivered to her for indorsement for deposit in the Greenwich Bank, and instead of indorsing the checks in question, as she was alone authorized to do, she indorsed them with the blank indorsement, wholly in her handwriting, "Standard Steam Specialty Company, Percy H. Pinder, Treasurer." "Harriet Cohen," or "H. Cohen." She then delivered the eleven checks, nine to one reputable business man and two to another reputable business man, who in good faith paid her the full amount thereof in cash, without knowledge of any wrongdoing.

OPINION OF THE COURT

GUY, J.: Where a bank has collected a check upon which the payee's indorsement "is forged or made without authority of the person whose signature it purports to be" (Negotiable Instrument Law, §42), it cannot retain the money, since it had no title to the instrument upon which the money was paid, "unless the party against whom it is sought to enforce such right is precluded from setting up the forgery or want of authority." Its indorsement is a warranty of the genuineness of prior indorsements, and, upon the discovery that any indorsement is a forgery, it becomes immediately liable to make good the amount it has received. Seaboard Nat. Bank vs. Bank of America, 193 N. Y. 26; Oriental Bank vs. Gallo, 112 App. Div. 360, affirmed 188 N. Y. 610; Stein vs. Empire Trust Company, 148 App. Div. 850.

Authority to an agent to indorse checks in a specifically restricted manner, in order that they may be deposited to the account of the principal, does not confer upon the agent authority to indorse in any other manner or for any other purpose.

In Schmidt vs. Garfield Nat. Bank, 64 Hun. 298, affirmed without opinion in 138 N. Y. 631, upon a state of facts practically identical with the case at bar, the learned court said:

> Lingard had authority to use the stamp and to sign the plaintiff's name under the stamping upon the checks and drafts, adding his own initials thereto, and thereupon to cause the checks and drafts bearing such restricted endorsement to be deposited in the Chemical National Bank, to the credit of the plaintiff. But such authority gave Lingard no right to indorse the plaintiff's name, except in connection with a restricted indorsement made by stamping the checks and drafts with the stamp provided for that purpose by the plaintiff. * * * Assuming that he had authority to use the stamp and sign the plaintiff's name in connection with the use thereof, and then cause the checks and drafts to be deposited to the plaintiff's account in the Chemical Bank, his action in endorsing the checks with the plaintiff's name without using the stamp, and depositing such checks and drafts to his own account in the Garfield National Bank, was absolutely without any authority or justification whatever. There was, therefore, not only no testimony which would justify the court in holding that Lingard had authority to indorse the checks and drafts in the manner in which he did, but there was no conflict in the testimony which required the court to submit, or would have justified it in submitting, the question to the jury, as to whether Lingard had authority to indorse the checks in the manner in which he did.

The case of Salen vs. Bank of State of New York, 110 App. Div. 636, relied upon by respondent as authority for the proposition that plaintiff is precluded herein from denying the authority of its agent, Harriet Cohen, is not on all fours with the case at bar. In the case cited the agent had general authority to indorse checks for the purpose of depositing them to the credit of his principal; but the exact method of indorsement was not prescribed and restricted as in the case at bar.

In this case the sole authority reposed in Harriet Cohen, as to indorsement, was to perform the physical act of affixing the stamp indorsement on the back of checks, "Pay to the order of the Greenwich Bank. The Standard Steam Specialty Company," and adding thereto in her own handwriting the words "Percy H. Pinder, Treasurer." Had she performed this sole act she was authorized to perform in the restricted manner prescribed, defendant bank could not have been misled thereby. The indorsement of the plaintiff's name by her in any other form whatever was an act of forgery and could convey no title either to the persons to whom she transferred the checks or through them to the defendant bank. * * *

It is also to be noted that in the Salen case the agent had general authority to draw checks against deposits which he was authorized to make and to use the proceeds thereof, thus indicating that there was no intent to limit his authority to the performing of a mere carefully restricted physical act.

No act of the plaintiff herein would work as an estoppel under section 42 of the Negotiable Instruments Law.

The fact that a check of a corporation is indorsed by an officer or agent thereof in blank, or to his own order, puts a bank, upon receiving such checks, on inquiry (Niagara Woolen Co. vs. Pacific Bank 141 App. Div. 265; Ward vs. City Trust Company, 192 N. Y. 61; Squire vs. Ordemann, 194 N. Y. 394).

It is urged by the respondent that the defendant bank is in a different position because it did not deal directly with the wrongdoer. We are unable to see that its position is altered in any respect by reason of this fact. The indorsement being a forgery, it could convey no title to the transferee thereof, and the invalidity of the indorsements could not be cured by subsequent transfers to others. Defendant's depositor, having no title, could convey none to the defendant, and defandant, having no title and having wrongfully collected the moneys represented by the checks, is liable for the amounts thus wrongfully received.

For this reason the judgment must be reversed, with costs and judgment directed in favor of the plaintiff for the full amount claimed, with costs.

146 N. Y. Supp. 181.

Acceptance by Telegraph

Oklahoma

What Constitutes an Acceptance by Wire—"With Exchange"

Supreme Court of Oklahoma, April 7, 1914.

FIRST NATIONAL BANK OF TULSA VS. MUSKOGEE PIPE LINE CO.

A telegram containing an authorization to draw on drawee, on the strength of which a bank cashes a draft attached thereto, constitutes an acceptance on the part of the sender of the telegram.

An agreement to accept a draft for a certain sum is binding, even though, when presented, the words "with exchange" appear thereon, no place of exchange being named and the draft being payable at drawee's residence, when it is shown that exchange is waived.

ACTION by the First National Bank of Tulsa against the Muskogee Pipe Line Company. Judgment for defendant, and plaintiff brings error. Reversed and remanded.

STATEMENT OF FACT

IN April, 1910, the Tri-State Oil Company drew a customer's draft as follows: "Customer's Draft. No. ——. First National Bank, Tulsa. Tulsa, Okl., April 19, 1910. Pay to the order of First National Bank $1,736.42, seventeen hundred thirty-six and 42-100 dollars, with exchange, value received and charge to account of Tri-State Oil Company, by J. S. Staiti, Secretary and Treasurer. To Muskogee Pipe Line Company, Muskogee, Okl." Attached thereto was the following telegram: "Muskogee, Okl., April 19, 1910. Tri-State Oil Company, Tulsa, Oklahoma. Rechecking accounts. Owe you balance seventeen thirty-six forty-two. You are authorized to draw on us. Muskogee Pipe Line Company." Which draft was paid by the First National Bank of Tulsa and thereafter presented to the Muskogee Pipe Line Company, the defendant, and payment refused.

Thereupon the First National Bank commenced this action against the Muskogee Pipe Line Company, to recover the said sum, together with protest fees and interest.

OPINION OF THE COURT

LOOFBOURROW, J.: The first proposition that arises is whether or not the defendant accepted the bill. Section 4182, Rev. Laws 1910, defines acceptance, and provides that it must be in writing and signed by the drawee. Section 4183 provides that the holder may require acceptance to be indorsed on the bill. Section 4184 provides: "Where an acceptance is written on a paper other than the bill itself, it does not bind the acceptor except in favor of a person to whom it is shown and who, on the faith thereof, receives the bill for value."

It is clear from the testimony that this telegram was exhibited to the First National Bank and attached to the draft before it was honored and paid by the First National Bank. The manager of the Postal Telegraph Company of Muskogee was called as a witness, and produced the original telegram, signed by the Muskogee Pipe Line Company, and stated that the Muskogee Pipe Line Company called a messenger boy, who brought the telegram to their office, and it was transmitted by such company, and that there was noted thereon, "Chg. a/c Musk. Pipe Line Co.;" that such note was on the telegram when it was received by the telegraph company; and that the Muskogee Pipe Line Company later paid for the transmission of the telegram. This, we think, shows a sufficient acceptance.

But it is contended that because the bill of exchange contains the two words "with exchange," that it does not come within the terms of defendant's contract; that the sum of $1,736.42 was all they agreed to pay; and that they did not agree to pay exchange. On the other hand, the plaintiff contends that the words "with exchange" are mere surplusage. "Where no place of payment is designated in a bill of exchange, it is payable at the place stated in the drawee's address or at his residence." 7 Cyc. 605. In Cox vs. National Bank, etc., 100 U. S. 704, it is said: Where a "bill" of exchange "is addressed to 'Messrs. C. & C., N. Y.,' as drawees, and is by them accepted without explanation or condition * * * the legal construction of the instrument is that it became payable when it fell due, at the place designated by the address as the place" of "acceptance." See, also, Freese vs. Brownell, 35 N. J. Law, 285; also North Atchison Bank vs. Garretson et al., 51 Fed. 168, which says: "A bank which has agreed to accept a check for a certain sum cannot refuse payment because the check, when presented, concludes with the words 'with exchange,' no place of exchange being named and the check being dated and payable in the same town; for such words are mere surplusage, and of no effect." It is clear that this draft was payable at the residence of the drawee, and the evidence

does not show that any exchange was sought to be charged or collected, and that the term should be treated as surplusage.

Plaintiff in error cites Lindley vs. First Nat. Bank of Waterloo, 76 Iowa, 629, but in that case the draft was drawn in California against a drawee in Iowa, "with exchange on New York." Also State Bank, etc., vs. Citizens' Nat. Bank, etc., 114 Mo. App. 663. In the latter case one Warren lived near Fox Lake, in Wisconsin, and one Vandeveer lived in King City, Mo., and Vandeveer was in Wisconsin and purchased a horse of Warren for $800. They went to the plaintiff's banking house, where Vandeveer drew draft on defendant in favor of Warren for $800, with exchange. Warren indorsed it to plaintiff, who on the same day mailed it to defendant, and then on the same day telegraphed to the defendant this inquiry: "Will you honor draft J. L. Vandeveer eight hundred?" The next day defendant answered, "We will honor draft J. L. Vandeveer eight hundred." This answer was received by plaintiff next day, and, having afterwards, on the same day, ascertained that the horse was shipped on cars to Vandeveer, plaintiff placed the sum of $800 to the credit of Warren on its books. Held, an acceptance by a bank of a draft for a specified sum is not an acceptance of a draft for that sum with exchange. But in that case exchange was sought to be collected, so that it is not the case at bar.

The defendant next contends that this draft was accommodation paper, and that the defendant, being a corporation, is not bound by its contract or agreement to lend its credit to the Tri-State Oil Company, and that its act was ultra vires, and it is not bound thereby. When the plaintiff rested its case, the court, on motion of defendant, directed a verdict. * * *

Some of the plaintiff's witnesses, on cross-examination, gave testimony tending to show that this was accommodation paper or what the parties termed a "kiting" proposition, but, applying the law as indicated by the above-cited Oklahoma cases, the telegram attached to the draft shows that the defendant was indebted to the Tri-State Oil Company, and held a balance to its credit of $1,736.42, and, if that is true, the plaintiff ought to recover. In any event that evidence amply supports the theory that it was a bona fide transaction, and not a kiting proposition, and it was error for the trial court to direct a verdict.

The judgment of the trial court is reversed, and the cause remanded for new trial. All the justices concur.

139 Pac. Rep. 1136.

Notice of Dishonor

New York.

Care Required in Ascertaining Place to Which Notice of Dishonor Should be Sent—Reasonable Diligence

Supreme Court, New York, Appellate Term, First Department, April 14, 1914.

SILVER V. LOUCHEIM.

A notice of dishonor addressed to the indorser at a certain place simply because the note had been deposited in a bank at that point, is of no binding force.

Action by Morris Silver against Jerome S. Loucheim. From a judgment for plaintiff, defendant appeals. Reversed and remanded.

STATEMENT OF FACT AND OPINION

Lehman, J.: The plaintiff has obtained a judgment in an action on a note, brought by him as second indorser, against the first indorser. It appears that the note was made by the plaintiff's brother to the plaintiff's order, and that the defendant's indorse-

ment was upon it when delivered to the plaintiff. The sole issues litigated were whether the plaintiff had given notice of dishonor to the defendant, and whether, if no notice of dishonor was given, such notice was dispensed with under section 183 of the Negotiable Instrument Law.

It was shown by the certificate of a notary that notice of dishonor was mailed to the defendant at Stapleton, Staten Island. The defendant never lived at this address. but for four years had lived in Long Island and done business in the borough of Manhattan. The notice was apparently addressed to Stapleton only because the plaintiff lived and had deposited the note in a bank at that address. The notice of dishonor must therefore be regarded as a nullity. The plaintiff, however, claims that this fact is immaterial, because notice of dishonor could not be given after the exercise of reasonable diligence. and is therefore dispensed with under section 183 of the Negotiable Instrument Law.

The only diligence which the plaintiff claims to have exercised was to ask attendants in the Metropolitan Life Building for defendant's address, and to write a letter to him there. The defendant admits that he was employed by the Metropolitan Life Insurance Company at one time, but inasmuch as the plaintiff was told at the Metropolitan Life Building that defendant was unknown there, and did not attempt to serve the defendant with notice there. I do not think that this inquiry alone showed reasonable diligence. It was not even shown that he inquired of the maker for defendant's address. It was his duty "at least immediately to apply to the other parties to the note for information." University Press vs. Williams, 48 App. Div. 188, and authorities there cited. This rule seems to me particularly applicable to this case, where the defendant's indorsement was upon the note before it was delivered, and the maker was a brother of the plaintiff.

Judgment should therefore be reversed, and a new trial ordered, with costs to appellant to abide the event. All concur.

(147 N. Y. Supp. 146.)

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

PROFIT ON DEPOSITS

Editor Bankers Magazine:

SIR: Will you have the kindness to advise me about what percentage of profit it is estimated that a country bank usually makes on its deposits? Of course, I understand that this varies, but what I want to know is about the average.

Thanking you, in anticipation of your courtesy, I am

O. E. P., *Cashier.*

Answer: So far as we know, no statistics are available on this subject. Authentic information can only be obtained by inquiry among the banks. There are many factors to influence the earnings of a bank, namely: The prevailing interest rates, the policy of the bank regarding investments, the amount of interest paid to depositors, expenses, etc. Thus a bank which buys largely of commercial paper at good rates and holds few low income bonds will show large earnings. The amount on call with reserve agent will also be a factor. A bank which shares its earnings with the depositors in the form of interest will naturally have less in the net return than one which pays no interest whatever. There are banks in New York that do not, as a broad statement, pay a dollar of interest to anyone, except a few savings banks and large estates. Obviously such a bank will have larger net earnings than one which pays interest on balances as low as two and three hundred dollars. According to the Comptroller's Report for the year ending June 30, 1913, the banks in the New England States earned, gross, on

their total investments, 5.88; Eastern States, 5.62; Southern States, 6.99; Middle Western States, 6.08; Western States, 8.33; Pacific States, 6.82, the average earnings being 6.19. The percentage of deposits to gross liabilities was fifty-three per cent. on August 9 last. The gross earnings, therefore, range from 5.62 to 8.33, a difference of 2.71 per cent. Deducted from the gross earnings are the fixed charges and interest paid on deposits, in varying amounts, depending upon the factors above mentioned. In order to get a reliable answer, we suggest that you write a few of your correspondents in various parts of the country.

COLLATERAL NOTE

Editor Bankers Magazine:

SIR: I submit for your inspection two forms of collateral notes, one used by, let us say, Bank A and one used by ourselves.

Will you kindly have your legal department inform me, which of the two notes is the better form, and state wherein the one is any improvement over the other.

I have been a subscriber of your valuable magazine for past eleven or twelve years, and am confident that it has been a means of enlarging my banking experience.

Thanking you in advance for this information, I beg to remain

Yours truly,

Cashier

Answer: The note used by Bank A includes any debts due from partnerships of which any of the parties thereto may be a member. This is important, for collateral pledged specifically for a certain debt cannot, in the absence of special agreement, be held or appropriated for another debt of the pledger or for the debt of any firm of which the individual is a member.

A clause "and it is hereby agreed that such surplus (referring to the overplus after sale and cancellation of the original debt) or any excess of collaterals upon this note shall be applicable to any other note of claim against ———— held by said bank," has been held to entitle the bank to apply the excess of collateral to any other note or debt against the maker.

Decisions are not uniform as to whether individual property can be applied to firm debts, but a provision that collateral shall be applicable to the debts of any firm of which pledgor is a member strengthens the position of the bank considerably.

In Hallowell vs. Blackstone Nat. Bank, 154 Mass. 359, the clause authorized the bank to apply any excess of collateral "to any other claim or note against me held by such bank." The bank already held acceptances of the firm of which the maker was a member. The court held the excess was applicable to the firm acceptances.

On the other hand, in several cases in New York, it has been held that an agreement that any excess of collateral shall be applicable to other indebtedness of the maker does not contemplate or include the obligation of a firm of which the maker was a member.

The promise in the Bank A note is joint and several, and while the Negotiable Instrument Law would make the Bank B note of like tenor when signed by two or more parties, it is better to have it plainly stated, and then there can arise no question.

For the reasons above indicated, the preference would seem to lie with the note of Bank A.

Cabbage Day and Hog Waddle

WHAT appears to be a new form of entertainment is thus described in a recent number of the "Texas Bankers' Record":

"Witnessed by the largest crowd that ever gathered in this city, a thousand hogs parading in a long line through the streets March 17 ushered in San Benito's second annual cabbage day and hog waddle. In every respect the occasion equaled the most optimistic expectations of the local citizenship."

Investments

Conducted by **FRANKLIN ESCHER**

How to Judge the Value of a Municipal Bond

By B. W. Scharff

IN his guide to conservative investment, Frank West Rollins, president of E. H. Rollins & Sons, writes as follows in regard to municipal bonds: "The courts of the country have very carefully guarded the credit of our municipalities, and where their bonds are offered by a reputable bond house, which has made a proper examination, such as most of them make, you are very safe in their purchase." In other words, the investor who deals with a house of high character is entirely justified in relying upon them to secure for him a maximum of safety in his investments.

At the same time, it is very desirable that the investor should be familiar with the characteristics of municipal bonds in general, and with the investment attributes of the bonds he purchases in particular. The most available source of information is the descriptive circular furnished by the bond house in making its offering. This circular, if issued by a reliable house, sets forth briefly and lucidly the facts necessary to form an intelligent judgment of the security. Unlike corporation issues, which are sometimes rather complex in structure, municipal issues may be reliably judged on the basis of a few simple facts. Municipal and corporation investments differ radically in the nature of the security behind them. The security of a corporation bond is based on the value of the property and its current earning power, and these are matters which demand considerable data. The security of a municipal bond, however, rests primarily on the taxing power, and the facts bearing thereon can be put in concise form, requiring only brief consideration.

Among the features the investor should note in studying a municipal circular are the following, arranged as nearly as possible in order of importance; the financial statement of the issuing municipality; the attorney's opinion; the population and record of growth; the character of the industrial and commercial life of the city; the savings bank legality; the purpose of issue; the maturity; and finally the price and income return. A few comments on these features may be enlightening.

The "financial statement" is the most important of the data given regarding the municipality, being the key to the financial condition, and a means of comparing it in this respect with other municipalities of approximately the same size and character. The first item given in this statement is usually the "assessed valuation," which is the valuation put upon the property within the municipality, and constitutes the basis on which taxes are levied. Next comes the total debt, in which is included all outstanding bonded debt which is a direct obligation of the entire municipality; this is also called, sometimes, gross debt, as distinguished from net debt. Net debt is determined as follows: Subtract from the gross debt the sum of the water bonds outstanding, and the amount of sinking funds which have accumulated behind the bond issues of the municipality. The question is often asked: Why are the water debt and sinking funds excluded in computing net debt? The answer is as follows: Water bonds are regarded

as self-supporting, as municipal waterworks usually earn more than enough to care for principal and interest on the bonds outstanding against them, or, at all events, may at any time be made to do so by an adjustment of water rates. The purpose of a sinking fund is to amortize indebtedness; such a fund is, therefore, regarded as an offset to an equal amount of oustanding bonds. Where water debt is subtracted from total debt, the water sinking fund is not, of course, subtracted, as this is an offset to the water debt. Take the case of Chicago: The total debt, as officially reported, is $31,104,000. Water debt and sinking funds amount to $4,601,525.87, giving a net indebtedness of $26,502,474.13, or approximately 2.7 per cent. of the assessed valuation. The percentage of net debt to assessed valuation is taken as the basis of judging the size of municipal indebtedness. Practically all States have enacted laws restricting their municipalities, in net debt, to a certain percentage of their assessed valuation. In Illinois, for example, the limit is five per cent.; the city of Chicago is, therefore, well within its debt limit.

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THE next item in a municipal bond circular is usually a description of the municipality. Population, of course, while not directly affecting the security of the bond, is to be taken into consideration as affecting the market for the securities. The general character of the section in which the city is located, and the industries in the municipality, are other factors to be noted. It is not wise to purchase bonds of municipalities which are wholly dependent on one industry; this explains the widespread prejudice against securities of "oil towns," or "mining towns"; if the mines should become exhausted, the population of such towns would suffer sudden and often extreme decreases; property would shrink in value, and the standing and credit of the municipality be thus impaired. It is well to ascertain that the municipality has shown a steady increase in population over a period of years, and that its general character is such as to assure the continuance of this growth.

❂

WHEN purchasing municipal bonds the investor should make certain that the legality of the issue has been approved by competent attorneys. This cannot be emphasized too strongly. It is the safeguard against any flaw in the issuance of the bonds, and no reputable bond house will offer its clients, and no careful investor should consider the purchase of an issue of municipals which has not first been approved by experienced counsel. Before handing down their opinion, the attorneys examine the entire proceedings of the municipality relative to the issuance of the bonds, to determine whether or not every detail of the laws regard-

ing such matters has been carried out. They examine the State laws regulating the procedure prescribed for municipalities in selling their bonds, seeing that bids were properly received, and that the municipal ordinance proposing the issue of the bonds was properly adopted. Where there was a municipal election on the question of issuing the securities, the attorneys must be satisfied that this election was held in the manner prescribed by law. They also examine the proceedings of the municipal administrative body having charge of the issuance of bonds, to determine that their proceedings were duly and properly carried on. In short, they follow the course of the whole matter, from its inception to the final sale of the bonds, and satisfy themselves on every legal point before reaching a conclusion. After this examination, they give their decision as to the legality of the issue; if the decision is unfavorable, the bond house refuses to accept the bonds from the municipality until the flaw in the proceedings has been corrected. In fact, the bond house, in negotiating with the municipality, almost invariably stipulates that the issuance of the bonds must meet the unconditional approval of its attorneys before the bonds are finally purchased. Bond houses usually keep legal opinions on file in their offices, and although a personal examination of the opinion by the investor is seldom requested, they are usually prepared to furnish copies to the purchaser.

THE circular gives also the States for whose savings banks the bonds described are a legal investment. This information is given for the benefit of banks who are thus permitted to buy them, and of those investors who like to buy savings bank bonds. Each State has, of course, its own laws regarding the investment of deposits in savings banks. The restrictions imposed by these laws, as far as investments in municipal bonds are concerned, are based on geographical location of the municipalities, as well as their population and ratio of net debt to assessed valuation. In general, the New England States are more strict in their laws regulating savings bank investment than are the other States, and the fact that a bond is a legal investment for savings banks in one or more of the States should be noted, as it gives an idea of the breadth and character of market enjoyed by the bond. It should be said, of course, that there are a great many municipal securities which, although not a legal investment for savings banks in any of the former States, are of unquestioned security. Bonds of growing Western municipalities, not yet large enough to come within the requirements of savings bank laws, may be mentioned among these. They are constantly growing and their credit becoming correspondingly stronger, and the purchaser of such securities is in an advantageous position.

STRICTLY speaking, the purpose of issue has no bearing on the safety of a municipal bond, provided the bond is a direct obligation of the entire municipality; in practice, however, bonds issued for certain purposes have a sentimental preference among some bond buyers. Bonds issued by a city for the purpose of supplying water for domestic purposes, for example, rank very high, because the income

from water-works usually renders such issues self-supporting. School bonds have always been held in esteem owing to the high moral responsibility of any community to repay the moneys borrowed to provide for the education of its sons and daughters. Where there is a choice among bonds issued for various purposes, the investor's personal preference should determine his final selection, but no practical differentiation should be made between sewer bonds and school bonds, if both be a direct municipal obligation.

OF late years, bonds of serial maturity have come to be looked on with great favor: that is, issues which mature in annual instalments instead of at one time. One advantage of this method is that it reduces the debt of the municipality each year. Further, a serial issue, extending over a given period, is less burdensome to the municipality than an issue maturing in one block at the end of the same period. Hence, this procedure is clearly advantageous, and is daily coming into more common use, as the most scientific, as well as the most conservative, method of municipal financing. In California and other States laws have been enacted requiring all municipals there issued to be of serial maturity, and forbidding the issue of refunding bonds.

When considering the price of a municipal bond, the investor should remember that here, as in the case of all other securities, there are many elements to consider. By price is meant, not numerical price, but income yield, as this is the only real basis for comparison of prices. For example, a five per cent. bond selling on a 4.50 per cent. basis and a four per cent. bond on a 4.50 per cent. basis are said to sell at the same price, though one may be at 105 and interest and the other at ninety-five and interest. The investor may compare the net yield of the security offered him with that of securities of other similar municipalities. Here, also, there is danger of confusion, or of unfair comparisons, on account of the very many elements that enter into price. Two municipalities may be of about the same population, have about an equal debt, and be a legal investment for the same savings banks, and still the bonds of one may consistently sell at higher prices than those of the other. On investigation, the reason for this may be found to be that there is a strong home demand for the securities of one, and not for those of the other. This is only one instance of the great variety of factors that must be considered in determining the price of a municipal security. For this reason it is hard for the layman to make real comparisons, and unless he has sufficient information and experience to enable him to consider the situation in all its phases, he should accept the judgment of the bond house in this matter, confining his activities to choosing the particular

kind of bond that will meet his requirements, and then to a choice among the various bonds of that kind submitted to him. It must be borne in mind that the price of municipal bonds, like the price of any other commodity, is largely determined by the law of supply and demand, and this means an active or an inactive market and a difference of several points in market value.

Investment and Miscellaneous Securities

Quoted by J. K. Rice, Jr., & Co., Brokers and Dealers in Miscellaneous Securities, 36 Wall St., New York.

	Bid	Asked
Adams Express	99	102
American Bank Note Com.	36	39
American Bank Note Pfd.	50	51½
American Brass	135	139
American Chicle Com.	189ex	193ex
American Chicle Pfd.	97	99
American Dist. Tel. of N. J.	61	63
American Express	106	110
Amer. Water Works & Elec. Com.	5	6
Amer. Water Wks. & El. Partl. Pfd.	20	21
Amer. Water Wks. & El. 1st Pfd.	71½	72½
Atlas Powder Co.	110	115
Autosales Gum & Chocolate	14	18
Babcock & Wilcox	97	98½
Bordens Condensed Milk Com.	112½	114½
Bordens Condensed Milk Pfd.	103¾ex	105ex
Bush Terminal	50	60
Celluloid Co.	131	133
Childs Restaurant Co. Com.	123	128
Childs Restaurant Co. Pfd.	100	102
Computing-Tabulating-Recording	28	30
Conn. Railway & Light Com.	60	65
Del., Lack. & Western Coal	275	285
E. I. du Pont Powder Com.	120	125
E. I. du Pont Powder Pfd.	82	85
General Baking Co. Com.	8	12
General Baking Co. Pfd.	47	51
Hercules Powder Co. Com.	124	129
International Nickel Com.	116	118
International Nickel Pfd.	104½	106½
International Silver Pfd.	106	112
Kings Co. E. L. & P.	122	123
New Jersey Zinc	550	600
New York Railways	24	27
Otis Elevator Com.	76½	78½
Otis Elevator Pfd.	95	98
Phelps, Dodge & Co.	210	215
Remington Typewriter Com.	20	23
Remington Typewriter 1st Pfd.	98	100
Remington Typewriter 2nd Pfd.	88	90
Royal Baking Powder Com.	172ex	179
Royal Baking Powder Pfd.	104ex	105½
Safety Car Heating & Lighting	105	107
Sen Sen Chiclet	87	94
Singer Manufacturing	333	337
Standard Coupler Com.	29	33
Union Ferry	28	32
U. S. Express	75	80
Virginian Railway	21	24
Wells Fargo Express	101½	103
Western Pacific	2½	4

Hotel Accommodations at Richmond

THE matter of hotel accommodations at Richmond is of great importance to bankers, in view of the convention of the American Bankers Association to be held in that city in October. There are a number of first-class hotels in Richmond, among them

HOTEL RUEGER, RICHMOND, VA.

being the Hotel Rueger, illustrated above. This is one of the newest and handsomest hotels, and is thoroughly fireproof. It overlooks Capitol Square, and is ideally located for the tourist and business man. This hotel was established in 1846, and is noted for its excellent cuisine and service. It has 150 bedrooms, 100 being fitted with private baths, and all rooms have outside locations. A spacious roof-garden is one of the hotel's many attractive features. The Hotel Rueger is thus admirably equipped to take care of a large number of bankers during the convention.

Safe Deposit

Origin and Development of the Safety Deposit

By Milton W. Harrison

THE SAFE DEPOSIT IDEA

THE secretive faculty of mankind is the constraint which forces him to hide his private ownership from the rest of the world. Protection from thieving, first, then from destruction by fire and accident is sought by all men.

Fundamentally, man shapes his inventions from necessity. His lifetime is devoted to the conception and working out of an idea, and when it appears in the form of a finished product, his invention is useless as against the forces which oppose, some keener mind having been raised up from the ranks of men to develop into greater perfection the idea already created. This is evolution; it is civilization. So it has been with the safety deposit. It is certain the modern burglar, fire and water proof vaults did not come "out of chaos," but through the steady tread of countless experiences, each one having contributed towards making more perfect the impregnability of the present day vault.

Many primitive forms are employed for the safe-keeping of valuables, and especially by those who wish a hiding-place for their money.

The New York "Sun" recently commented on the story of a certain individual, who, during the panic of 1907, kept the $8,000 he had drawn from a bank in his wooden leg.

A Western man pinned $3,550 in bills on the inside of his trouser leg, and while walking in the street lost $1,000 of it.

MARY SPITZER, MISER

A STORY was recently reported in a Connecticut newspaper of a woman who had died. When the public authorities examined the effects they consigned most of her old clothing to a bonfire. In the act of so doing, a vigilant observer espied through a moth hole in a cheap waist the gleam of a yellow back. She had virtually lined all of her clothing with bills ranging from $1 to $100.

These stories, which are very abundant, are merely evidence of the fact that the safety deposit idea in some form or other is man's natural instinct.

THE ORIGIN OF SAFETY DEPOSIT

BEFORE treating of its organization into corporate form, it is well to explain the origin of the safety deposit; where it came from, and a record of its history.

There is very little dependable information to be found in this respect, but there are a few reliable sources which clearly indicate the early existence of methods for the safekeeping of valuable property.

That the ancients recognized the responsibility of an individual for other's property kept in his care is certain from Section 125 of the Babylonian Code of Hammurabi, an enactment of the year B. C. 2250. R. F. Harper's translation of this ancient document states:

"If a man gives anything of his on deposit, and at the place of deposit, either by burglary or pillage he suffer loss in common with the owner of the house, who has been negligent and had lost what was given to him on deposit, shall make good (the loss)

and restore (it) to the owner of the goods; the owner of the house shall institute a search for what has been lost and take it from the thief."

This is surprisingly similar to the liability of the present day safety deposit company to its depositor for valuables kept in its care.

It is obvious that the depository was only liable for ordinary negligence, as no extra degree of care can be construed; if "the depository has been negligent and had lost what was given to him on deposit (he) shall make good the loss."

In part explanation of this particular section, H. W. Johns in his work on "Babylonian Law, Contracts, Etc.," states:

"The temples did a certain amount of banking business. By this we mean they held money on deposit against the call of the depositor. Whether they charged for keeping or remunerated those investing the bulk of their capital, reserving a balance to meet calls, does not yet appear."

This is, however, mere conjecture on the part of the author, and the section could be construed as providing for the responsibility of one holding himself out, for certain remuneration, to keep public property in a place which he had constructed in such a manner that the possibility of loss through "burglary or pillage" would be greatly lessened.

The Pyramids of Egypt, even older than Babylon, give us evidence of the safety deposit vault. These wonderful structures of huge blocks of granite, guarded by the immutable sphinx, contained the percious treasures of the Egyptian kings, and while they did not provide a place of security or protection for the valuables belonging to the people of the valley of the Nile, who buried their mites in the earth, yet the vast hoard of Egyptian gold was certain of security. Joseph stored away in safety deposit the corn of Egypt for seven years to provide against the prophetic hard times which followed.

PROTECTION OF PROPERTY BY THE GREEKS AND ROMANS

It is interesting to note that in the Odyssey, Homer describes the means for the security of treasure, which was put into the Citadel, and in the absence of a lock was secured by a cord "intricately knotted." Later, on account of the insufficient protection afforded, the knot was replaced by a wooden bar inside the door, attached by an iron latch, and in order to unlock it from the outside a hole was bored through the door, which allowed a massive key to be inserted, lifting the bar and giving entrance.

The security of the vault depended then, as it does to-day, on the strength of its entrance, and to construct a lock which would make it practically impossible to force open without the aid of a key, seemed the main problem. The prophet of Palestine alludes to a key which must have been of tremendous weight, for it is said: "And the key of the house of David will I lay upon his shoulder." The key of the gate of a public building was in some cases two feet in length. Locks and keys, in all their parts, have been found in the Egyptian catacombs, which sustains this assertion.

The great wealth which the Romans brought into Italy from conquests, and the imperative need for its protection, called forth the organization of the first coöperative safety deposit vault. "The Roman safe deposit vault," as it was actually called, was built of stone, and divided into a number of compartments, and leased out or separately owned, and protected by a guard of trusted slaves, who were locked inside the vault, and on the outside a guard of other slaves sentinelled the premises both day and night. When Rome was devastated by the hordes of northern tribes, this protection was of no avail, and the property was looted.

Gradually, through the long course of the centuries, there evolved the iron strong box, its outgrowth being the massive safes and vaults of modern times.

Banking Publicity

Conducted by **T. D. MacGREGOR**

Vitalizing Your Bank's Newspaper Space

IF all the people who read the newspapers were bank depositors, the banking power of your community would be greatly increased.

Owning a bank account is the first step on the road to success. Why is it, then, that EVERY newspaper reader is not a bank depositor? Every newspaper reader wants to be successful.

Please don't reply that it is because they haven't the money. The majority of them have.

This is proved by the fact that merchants and others with things to sell recognize in the newspapers the very best medium for coming in touch with people who have money with which to buy.

It is a common impression that banks don't care to bother with people who have only a little money.

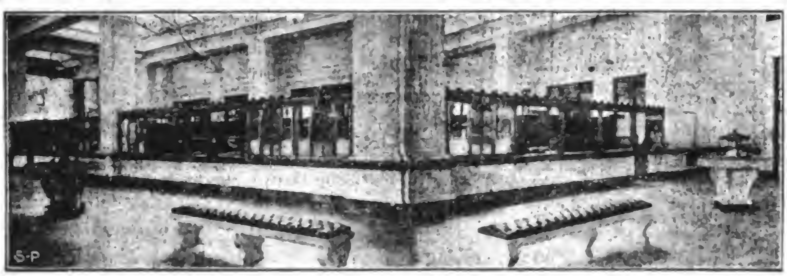
That idea is what is keeping vast sums out of circulation.

Ten million dormant successes await the call of ambition and of opportunity to summon them to life.

Advertising is a great educator. It creates wants and tastes that never existed before. It adds to human comfort by creating these wants.

If the merchant can reach the multitude through the newspapers the bank surely can.

There is no line of business that can



SAVINGS DEPARTMENT

The greatly enlarged quarters of this bank have made it possible to more than double the space assigned to

The Savings Department

In designing the equipment the idea of the most perfect service to the customer was always the first consideration.

This has resulted in the devising of many features and special equipments that are proving very acceptable to all who have used this department.

The manager is always glad to explain to any interested person the full extent of the service we have to offer

Savings deposits made at windows No. 21, 22, 23, 25, withdrawals at open space between windows No' 23 and 24.

The First National Bank
OF MILWAUKEE

FEATURING NEW QUARTERS

make a stronger appeal to human aspirations than the bank.

The bank is the seat of opportunity, the ally of the business man, the prompter and promoter of success impulses.

Then why not let the masses know it? Why not tell them how important a part it can play in their success? How can the masses be reached more quickly and directly than through the newspaper?

Every human being old enough to think, has aspirations. Parents have aspirations for their children who aren't old enough to think.

Left to themselves these aspirations may perish or waste away for want of proper direction.

Encouraged by wise influences they may develop into splendid successes.

To an increasing degree banks are encouraging small savings and embryo business successes; they are helping people lay the foundation for financial achievements—and to build the superstructure, too.

The newspaper is the logical medium for reaching the unreached if the newspaper is used in a logical way.

Buying space will accomplish little unless something goes into that space which will attract, inform, convince, inspire.

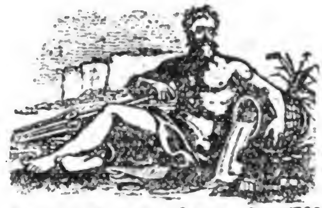
A bank's advertising which gives no interesting information about the bank's service has no show at all in competition with the stories of interesting events for which the masses buy the papers.

A bank's advertisements can and should consist of messages of the most absorbing interest. If they do, people will read them; if they do not, they will not. Why should they?

It is the height of extravagance to pay for newspaper space and then assume an indifferent attitude toward what goes into it, or fail to employ the best talent in the preparation of copy.

National advertisers employ men trained in the business of copy preparation to place their wares before the people through the printed word.

Cultivating habits of thrift, inducing people to conserve their financial resources through banking aids is just as much an advertising proposition as is teaching them to spend.



Seal of the Manhattan Company Since 1799

Bank of the Manhattan Company

In 1798 New York suffered from a yellow fever epidemic which was attributed to an inadequate water supply.

On April 2nd, 1799, the Manhattan Company was chartered, with a capital of $2,000,000, for "supplying the City of New York with pure and wholesome water."

The Manhattan Company supplied water to those living south of the City Hall until a complete municipal supply was installed about 1832.

As the charter permitted its surplus capital to be employed in monied transactions, on September 1st, 1799, an office of discount and deposit was opened in its house on the site of the present No. 40 Wall Street. This was the beginning of the "Bank" of the Manhattan Company.

Capital $2,050,000
Surplus $4,100,000

We want your account.

114 Years at 40 Wall Street

UNIQUE HISTORY AND UNIQUE ADVERTISEMENT

Being a good banker does not always imply ability to write bank advertisements that pull, and still have fitting dignity and reserve.

Engrossed from morn till night with banking problems, what opportunity has the banker to train himself to write copy that will vitalize the bank's newspaper space?

The need of the banker for outside viewpoints, and especially the viewpoint of the man on the other side of the counter, has developed a few—very few—specialists who understand banking and who also understand advertising.

Every bank about to advertise will be well repaid by getting in touch with one of them.—*H. A. Blodgett.*

Working for a Principle

A Soldier's Views on Thrift Advertising

By H. S. Baker, Company "C," Tenth Infantry, Canal Zone, Panama

I HAVE in the past been very successful, in a small way, in increasing the business of savings departments whose accounts I handled in conjunction with a list of diversified accounts.

During this period, while I was in a position to watch all the savings departments in the city through the medium of their heads, I began to realize that the campaign I was so successfully conducting for my account was being felt by every other savings department in the city.

This condition led to a closer investigation and an analysis of the situation which analysis resulted in the conclusion that in advertising the savings department of a bank and driving home the necessity for cultivating the "Saving Habit," you are working for a principle rather than for an individual or an institution.

With this conclusion for a base, it was natural to evolve the idea of a concentration of interests in order to increase efficiency, eliminate waste and distribute the burden of expense equably.

In closing, I reproduce as nearly as my memory will allow, one of the advertisements which attracted a good deal of business and comment in my Fairmont campaign:

MONEY TALKS—THEY SAY.

Well there's a question as to whether money talks in all cases—the phrase is just a saying.

MONEY *WORKS* THOUGH.

There isn't a bit of doubt about that. The surplus cash you deposit in our savings department works day and night for you, at the rate of four per cent.—figured twice each year.

SERVICE PLUS 4%

In reproducing the above my idea was to show you the sort of copy I claim effective in increasing business generally. Of course during the campaign I ran advertisements more closely related to the actual institution for whom I was working, but in every case where such ads. were used the attention attracted was less than where the ads. confined themselves to a general discussion of savings.

I found, too, that the more of the story you could put into the heading the more apt the entire ad. was to be read. For instance, headings like "A

BOUND TO ATTRACT

MAN HAD A DOLLAR," "SAVE YOUR SURPLUS CASH," "TEACH YOUR BOY TO SAVE" were not as thoroughly read nor were the ads as productive as those with headings like "YOU HAVE EITHER GOT TO BE THE SERVANT OF MONEY OR MAKE MONEY A SERVANT TO YOU," "TO SAVE IS A DUTY YOU OWE THE COMMUNITY IN WHICH YOU LIVE," "YOU WOULD HAVE BEEN BETTER OFF HAD YOU CONTRACTED THE SAVING HABIT EARLIER IN LIFE."

I am far out of touch with the "game" down here in so far as meeting interested people is concerned and I have to take it out in writing or bust. I am hoping to return to the States in September and shall certainly be glad to come back.

USED ON PAGE WITH WAR NEWS

Collateral Advertising

A WESTERN bank gets some advertising benefit from its examinations thus:

A letter, of which the following is a copy, is mailed to every person, firm and corporation having money on deposit, with a stamped and addressed envelope for reply inclosed:

In connection with the examination of our accounts, as at the close of business ...., we desire to have the balances of our depositors' accounts confirmed, and we would ask you to be good enough to reply in the space provided for below and return the same in the enclosed envelope. The balance to your credit at the close of business ...., as per our records, amounts to $...... If this amount is not correct please state balance per your records and give particulars of difference.

To the bottom of this letter is appended the following form, which the depositor is to fill out and sign:

The balance to .... credit at .... was $........, as stated above.

This letter accomplishes two things. It gives the depositor added confidence in the bank, and places in the hands of the officials indisputable proof that the accounts are correct not only as a matter of bookkeeping, but in actuality; and if any errors have crept in they can be instantly detected.

How Banks Are Advertising

Note and Comment on Current Financial Publicity

WE often notice banks urging people to start savings accounts for children at birth, but it is not so often that we hear of the happy fruition of such a scheme. A Des Moines bank advertised:

CASHES DEPOSIT MADE WHEN A BABY.

Mrs. Patrick Hannifan placed two hundred dollars in a Council Bluffs bank to the credit of her grandson twenty-one years ago, same to draw four per cent. compounded annually.

Upon coming of age, the young man found a savings account amounting to $455.78 to his credit. Why not start an account for your son or grandson with this bank?

EFFECTIVE "CLASS" APPEAL

The Traverse City (Mich.) State Bank issues time cards showing train schedules of all railroads entering that city.

G. Prather Knapp, manager of publicity, Mississippi Valley Trust Company, St. Louis, wrote:

> We hand you herewith a copy of a special number of our publication, "Service," devoted to an article on the "Federal Reserve Act" by our Mr. W. M. Martin, and illustrated with portraits of all the Secretaries of the U. S. Treasury.
>
> We are sending this magazine to anyone who asks for it and believe it may be of interest to your readers.

The booklet is an attractive and convenient one, well worth having.

The Farmers' National Bank of Colfax, Wash., has adopted the slogan: "The Bank that Backs the Farmer."

The Central Trust and Savings Bank and the Rock Island National Bank of Rock Island, Ill., used twelve inches by four columns of newspaper space to reproduce a photograph of the excavation for the foundation of their new building. This sentence was used: "The foundation is down on solid rock." Wouldn't this have been a good opportunity to say also that the bank is "founded on bed-rock principles or sound banking," etc.? We believe it is always a good idea to tie news interest and advertising interest closely together.

The Home Savings Bank, Toledo, Ohio, ran this ad. near the classified page of the Toledo "Blade":

> A BUSINESS OPPORTUNITY.
>
> Perhaps in this very newspaper there is advertised a "Business Opportunity" which appeals to you and which you might take advantage of if you had some extra money available for the purpose.
>
> The only certain way to be ready for business opportunities is to save and deposit in the bank. At the Home Savings Bank your savings will be earning interest while you are awaiting your opportunity.

The half-dozen advertisements of the American National Bank, Rich-

Civic Interest

There has never been a time in the history of our city when it was so important for each voter to take an active interest in the government and study the laws and ordinances that are proposed for enactment. To this end he should carefully read and analyze the reports of the city officials and department heads, making himself familiar with the results attained from our present system, and lending his aid to the correction of any faults he may see. A comparison of reports from cities of our own size, who employ a different system of government, will give a clearer insight into the most progressive and advanced methods in the management of civic affairs.

The American National Bank
OF RICHMOND, VIRGINIA
stands for progress and every law that is for the
SECURITY AND SERVICE
of the people

Nine New Savings Accounts

were opened in one day in

The American National Bank
OF RICHMOND, VIRGINIA.

Two of these accounts were opened by a young couple, whose experience with a robber on the night before made them realize the danger of keeping their money at home. They had to be taught by actual experience what we endeavor to impress upon each individual, that the only absolutely safe place from robbery or fire for your savings is in the keeping of a strong national bank. We guarantee our customers real

SECURITY AND SERVICE.

CAPITAL AND SURPLUS $1,600,000.00
RESOURCES $8,800,000.00

Our Plan Will Put Ready Money in Your Hands

We hear the cry for ready money each day. If you are a working man, it is your own fault if you are out of ready funds. Because by saving even a small amount each pay-day it is surprising how rapidly the pile will grow. We all know how quickly a few cents spent here and there counts up into the dollars; so it is with saving. By saving wherever possible, the pennies will mount up to dollars in your bank account.

The American National Bank's Way
is for YOU to open an account with $1.00 and continue to add to it until some investment presents itself of which you wish to take advantage, then you will have ready money with which to enter it. We believe in each individual having real

SECURITY AND SERVICE.
CAPITAL AND SURPLUS. $1,600,000.00.

The South—The Pasture Land

All parts of the country have awakened to the value of the South as the section capable of the production of the best crops and well adapted to the raising of meat. It remains only for the people to realize the golden opportunity which is at their door, and the sooner they take advantage of it the better it will be for the country at large. The South, with the large amount of idle land, which, if properly taken care of, would make ideal pastures for cattle and sheep, is unconsciously losing thousands of dollars each year. Let the farmers and those who own country lands begin the raising of stock upon a scientific basis, and the financial result will be highly satisfactory to the producer, and the land will be brought to a greater state of fertility.

The American National Bank
OF RICHMOND, VIRGINIA,
Capital and Surplus, $1,600,000.00
Resources, $8,800,000.00
offers you SECURITY AND SERVICE in your financial development.

"Be Prepared"

This is the famous motto of the Boy Scouts, and is worthy of adoption by every man and woman.

Be prepared for adversity

Be prepared to take advantage of good business opportunities.

Be prepared for old age.

This strong National Bank IS PREPARED to aid you in your business projects and advances by giving you the

SECURITY AND SERVICE
of $1,600,000.00 Capital and Surplus.
Write for booklet, "How to Bank."

The American National Bank
OF RICHMOND, VIRGINIA.

Boys Who Mean Business

are quick to learn the care of money, they know that through the proper handling of finances success is attained. The first thing that a boy is told when he enters upon the business life is the value of SAVING. Do not be discouraged with a small start, be determined that it shall be a big ending. Every day

The American National Bank
OF RICHMOND, VIRGINIA,
has pointed out the advantages of taking care of your earnings, and thousands are enjoying the

SECURITY & SERVICE

which we want every young man to have who is entering upon his business career. You will find that it pays to make a strong bank your depository.

CAPITAL & SURPLUS, $1,600,000.00.

SOME GOOD COPY

mond, Va., were prepared by Miss Mary P. Jordan, the new advertising manager of that institution. They are full of human interest and good common sense.

R. E. Ross of Oak Park, Ill., writes: "A small State bank on the north side of Chicago is distributing broadcast a disk of about the size and appearance of a twenty-dollar gold piece. Upon the front appears the name and address of the bank. Upon the back the following message is neatly inscribed: 'We will accept this on deposit for fifty cents if you open a new savings account of $5.00 or more, leaving it in the bank six months, and pay three per cent. compound interest on your savings January 1st and July 1st.' This pseudo-gold piece has attracted widespread attention and favorable comment, and the bank's officers are rubbing their hands in glee as they contemplate the concrete results. Whole flocks of real gold

IF

IF you can save your cash when all about you
Are spending theirs and urging waste on you;
If you control your purse when all things tempt you,
And from ten dollars earned, deposit two;

IF you can win and not be spoiled by winning,
Get money but escape the sordid touch,
Increase your profits still but without sinning,
Nor yet don't pinch too hard nor scrimp too much;

IF you can fill the days with honest labor,
And yet spare time for wholesome, hearty fun,
Success is yours, for all is in your favor,
And you will be a happy man, my son!

T. D. MacGregor

(With apologies to Rudyard Kipling)

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pieces are being enticed to this bank by these gleaming decoys."

The Union Bank and Trust Company of Helena, Mont., used half a newspaper page to announce the opening of its "Weekly Savers Club" and to call attention to its monthly house organ, "Thrift Magazine."

The Old National Bank of Oshkosh, Wis., published in booklet form the pictures and essays of the winners of a savings essay contest among school children.

The advertising department of the Cleveland Trust Company has come to the front again with a couple of good folders in very striking color effects—one dealing with cold fur storage, and the other with safe deposit. "Safe Silver Storage" is a folder appropriately silver-tinted to advertise the company's silver storage department.

"Thrift" is the name of a good house organ issued by The Marcil Trust Company, Ltd., Montreal. It deals largely with real estate.

The First National Bank of Joliet, Ill., advertises a new service arising out of the establishment of the Federal Reserve Bank of Chicago. It tells other banks: "We are right in the center of this reserve district, and have our own salaried representative on La Salle street, Chicago, who will be glad to handle any transactions you might have with the Chicago Federal Reserve Bank."

THE HELENA DAILY INDEPENDENT

NEARLY ONE MILLION DOLLARS SAVED

DURING sixteen years of service to the people of Helena, the *Union Bank and Trust Company* has done more than any other one influence to impress upon this community the importance of the habit of "Thrift". Since the day of the establishment of this bank, it has paid the thrifty savers of this county and city interest at the rate of 4 per cent per annum, compounded semi-annually. The interest paid to our depositors for this period of time totals **$203,813.99**

SO WELL HAVE ITS EFFORTS BEEN APPRECIATED, THAT DURING THE PERIOD OF ITS EXISTENCE 7715 SAVERS HAVE OPENED ACCOUNTS WITH THIS BANK. AS A PART OF OUR TOTAL DEPOSITS OF [illegible] WE NOW HOLD FOR THESE THRIFTY SAVERS DEPOSITING IN THE SAVINGS DEPARTMENT AND HOLDING CERTIFICATES, THE SPLENDID SUM OF [illegible], ALMOST ONE MILLION DOLLARS. OUR GROWTH IN STRENGTH HAS KEPT PACE WITH OUR GROWTH OF BUSINESS AND WE NOW HAVE COMBINED CAPITAL, SURPLUS AND UNDIVIDED PROFITS TOTALING [illegible]. YOUR PARTICULAR ATTENTION IS CALLED TO THE PERSONNEL OF OUR BOARD OF DIRECTORS, ALL MEN OF THE HIGHEST STANDING

Officers:
S. McKennan, *President*
Frank Bogart, *Vice President*
A. P. Curtin, *Vice President*
R. O. Kaufman, *Cashier*
C. B. Pfeiffer, *Assistant Cashier*

In keeping with its policy to constantly encourage the habit of intelligent saving, the *Union Bank and Trust Company* has devised a new plan to aid its friends to increase their accumulations steadily and certainly. You can receive the full benefit of this plan by becoming a member of Our Weekly Savers Club. Call at the Bank or write us and full explanation of this simple but most effective plan will be gladly given. Beginning next month, our present savings depositors will receive a monthly publication to be known as "Thrift" Magazine. This magazine will contain most interesting matter concerning banking in general and this bank in particular. To those who are not now depositors with us, we shall be glad to send this publication upon application.

Watch our advertising space in the papers and learn why you ought to become a member of the Weekly Savers Club

Directors:
J. E. Bower
Frank Bogart
A. P. Curtin
Horace Elling
Conrad Kohrs
S. McKennan
George L. Ramsey
Jos. K. Toole
R. C. Wallace

UNION BANK & TRUST COMPANY

OPENING GUN OF A "WEEKLY SAVER" CAMPAIGN. SPACE ONE-HALF PAGE NEWSPAPER

B. Dansard & Son's State Bank of Monroe, Mich., is offering $800 in cash prizes for the best bushels of various grains and potatoes, the best bale of alfalfa, and extra prizes of $40 for fruits and vegetables grown in Monroe county.

⦿

The Commerce Trust Company of Kansas City sends us, presumably for criticism, this advertisement:

Prescription for Making a Mountain Out of a Mole Hill.

First: Take a dollar (which represents the mole hill).

Second: Bury it in a three per cent. savings account at the Commerce Trust Company.

Third: Add to it at regular weekly or monthly intervals.

You make a mountain of it in a surprisingly short time.

Well, here goes. The expression "making a mountain out of a mole hill" is always used in a derogatory sense, as of somebody who exaggerates a small difficulty into a large one. We think a simile along the line of planting the seed and reaping the harvest would have been better, although that idea is old enough to have grey whiskers. Use seems to stale the best of advertising ideas, so that perhaps the novelty of using the mole hill-mountain illustration saves the ad. from mediocrity.

⦿

W. R. Morehouse, assistant cashier German-American Trust and Savings Bank, Los Angeles, wrote:

Enclosed please find Mexico War map. You will note that they afford the user considerable information regarding not only the army and navy of the United States and Mexico, but also the important events in the history of Mexico. My reason for calling your attention to this article of publicity is the speed with which it was made ready for distribution.

Seven days after the Americans occupied Vera Cruz, we had this map ready for distribution. It was necessary for us to get it from the Rand, McNally Company in Chicago. We placed our order with them on Saturday by telegraph; the maps were shipped on Monday, and we had our advertising set and ready to print on the

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BY HARD AND STEADY PULLING,
UNFAILING COURTESY, ALWAYS,
CITY BANK SERVICE HAS SUCCEEDED
KEEPING AHEAD THESE PROGRESSIVE TIMES.

PRESIDENT BUCK IN ACROSTIC—FROM THE HOUSE ORGAN OF THE CITY BANK & TRUST CO., MOBILE

maps upon their arrival, which we did on Thursday. We also enclosed them in a cover on Thursday, advertised them in all the Friday morning papers, and were distributing them to callers from our information desk Friday morning.

I dare say within ten days from the time Vera Cruz was taken we were distributing these maps, showing location of the American battleships, etc., as well as all changes down to that date on the border. In fact, we had these maps out before many of the stationers had them on sale.

Can you beat this? This is action. Don't you think so, Mr. MacGregor?

We have had about two hundred calls a days for these maps, and find them very popular and timely.

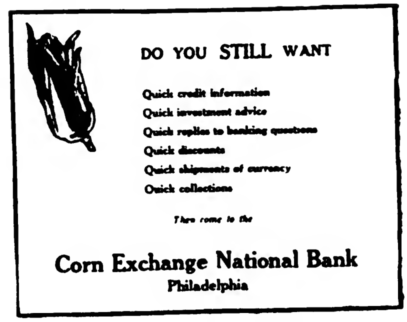
Yes, this is commendable enterprise. The question is, how long before there'll have to be a new map of Mexico?

The advertising man of the Second Ward Savings Bank of Milwaukee "put across" one which would make even the most *blase* reader of newspaper "sit up and take notice," to relapse into the vernacular again. The space used was ten inches, single column, and the copy read:

WHILE YOUR WIFE IS PLAYING BRIDGE

some energetic chap with a fondness for other people's property may break into your apartment and walk off with what it has taken you years to acquire, but which you can safeguard for $3 a year. Get a safety deposit box in the Second Ward Savings Bank.

THIS GIVES A TWIST OF ORIGINALITY TO A SLOGAN THAT WAS GETTING A LITTLE TRITE



RIGHT TO THE POINT

Of course, it's none of our business, but we think this is a better ad. than an eight-inch by four-column one used by the same bank to reproduce a "Safety First" placard. That is a very pat saying, but everybody's using it now and each new use weakens it from an advertising standpoint.

On the occasion of the retirement of Alfred B. Ford and commemorating the twenty-fifth anniversary of Robert S. La Motte's service with the Crocker National Bank of San Francisco, a dinner was given by the foreign department in their honor, participated in by the officers and staff of the bank. A little souvenir letter of credit form and menu prepared on that occasion was likewise sent out to the bank's friends and correspondents.

"Mortgage Loans on Real Estate" is a booklet issued by the East Brooklyn Savings Bank to exploit that subject, which is done clearly and succinctly.

W. W. Russell, cashier of the First National Bank, White River Junction, Vt., sends us samples of booklets, and folders issued by his bank and the Inter-State Trust Company from time to time. The best is one entitled "A Little About Our Usefulness," the cover of which is ornamented by a map showing the location of White River Junction near the New Hampshire border. "Banking Suggestions" and "The Management of Estates and Trust Funds" are other good ones.

Book Reviews

THE CAREFUL INVESTOR. By Edward Sherwood Meade. Professor of Finance in the Wharton School of Finance and Commerce, University of Pennsylvania. Philadelphia: J. B. Lippincott Company. (Price, $1.50.)

BEGINNING with a condemnation of speculation, Professor Meade proceeds to analyze the various classes of securities and the factors entering into the art of sound investing. He places a high value on the services of the investment banker, and with good reason.

While the author disclaims any special ability in indicating sound investments, he expresses confidence that adherence to the principles laid down in the volume will keep the investor from buying investments which are unsound. This very modest statement is more than sustained by the character of the suggestions given in the book. By following Professor Meade's advice one may avoid speculation and learn to discriminate between various classes of investments, employing their funds in a manner calculated to establish a competence and, mayhap, a fortune.

It is a volume of sound and valuable information addressed to the common understanding.

STOCK EXCHANGE LAWS. By Samuel P. Goldman of the New York Bar. (Garden City, N. Y.; Doubleday, Page & Company; net, $1.00.)

IT is the aim of this book to define the rights and privileges of investors and speculators, to explain the duties and responsibilities of brokers, and to establish the usefulness of the New York Stock Exchange. At a time when there is much agitation in favor of incorporating the Stock Exchange and more carefully regulating the business of brokers, a better knowledge of the laws relating to these matters and of the functions of the Stock Exchange is highly useful. Such knowledge may be gained from this volume.

CORPORATE PROMOTIONS AND REORGANIZATIONS. By Arthur S. Dewing, Ph. D. (Harvard Economic Studies, Vol. X.; price, $2.50; Cambridge, Mass.; Harvard University Press.)

THE author presents a critical narrative of the promotion, financial history and reorganization of fourteen large industrial consolidations. These studies present complete and detailed records of some of the important "cases" of our recent financial history. A study of this history should be of great value in helping to gain an accurate perception of the principles involved in such financial transactions and how these principles operate in practice.

THE BANKING LAW OF THE STATE OF NEW YORK. Edited by John Edson Brady of the New York Bar. (New York: The Banking Law Journal Company; price $3.00.)

THE New York Banking Law, which has just been amended and enlarged in important respects, is one of the notable legislative enactments of the country governing the business of banking. In the regulation of private banking, the provision for bank acceptances and the authorization of a land bank, the new law contains much new matter. To have the banking law of the State brought together thus compactly, properly arranged with

clear headings is a thing of great practical service to the banks of New York State and to all others who wish to obtain a knowledge of the banking law of the principal commercial State of the Union.

Mr. Brady has done the editorial work carefully, and the paper, typography and binding are excellent. The work is one of decided value and timeliness.

THE CAUSE OF BUSINESS DEPRESSIONS. By Hugo Bilgram, in collaboration with Louis Edward Levy. Philadelphia: J. B. Lippincott Company. (Price, $2.00 net.)

AFTER pointing out what are regarded as the inadequacies of commonly accepted views regarding the causes of depressions, the authors state that "The arbitrary control of the volume of currency is not only the cause of the predatory power of wealth, but also the cause of industrial stagnation."

As a remedy it is proposed to permit the organization of banks without cash capital, but what is called "credit," and to have an issue of paper currency based upon Federal, State and municipal bonds and liens against real estate; this currency not to be redeemed in coin but in gold bullion.

Objection to the use of commercial paper as a security for currency is made on the ground that the Government as the pledgee of the security for currency is ill equipped to inspect such security.

But if any pledge of security is necessary, surely the clearing-houses are adequately equipped to inspect the quality of such paper. And this is no mere assertion. For proof consult the experiences of the clearing-houses in passing on the securities (including commercial paper) pledged for the payment of clearing-house certificates.

As it is admitted that the banks themselves are qualified to inspect this pa-r, why not leave the duty in their hands, allowing them to issue currency substantially as they grant other credits? The small losses that would follow upon the adoption of this policy could be met from an insurance fund, without the pledge of security with the clearing-houses or the Government.

It is proposed in this book "to organize banks on the basis of stock issued, not against cash, but against certain specified forms of credit, such as bonds of the Federal, State and perhaps municipal governments, and recorded real estate liens, which in turn are to be accepted by the Government as security for the currency issued to the banks. In this way the banks would obtain their working funds."

The discussion of currency theories in the last twenty years seems to have led to the conclusion that currency so secured is utterly unscientific in principle. The recorded experience of banking in this country prior to the institution of the national banking system seems likewise to have established the fact that banks organized without the payment of capital in cash and on the basis proposed, and the notes issued by these banks and against such securities, developed the gravest evils with which our banking and currency system has been charged.

While substantially agreeing with the authors' declaration that "There is no reason for restrictions [of the volume of currency] apart from those which are necessary to insure the redeemability of all notes in the standard commodity," it cannot be said, in the absence of more conclusive data derived from experience, just how such an unrestricted issue of currency by numerous small independent banks would work out, particularly with reference to the foreign exchanges. In the absence of a requirement for an adequate coin basis for the notes, unless the redemption machinery were exceedingly effective, the result might be pronouncedly unfavorable.

Of the benefits of greater freedom in note issuing than now prevails, there can be no question whatever. Nor can

it be denied that the banks, either upon their own individual initiative, or after concerted action through their clearing-house associations, should be allowed a much greater freedom than they now have in handling their reserves. Whether it would be wise, under our present banking system, to remove all restrictions as to the amount of reserves to be held, and permit our banks to have the same freedom as those of Great Britain, for example—that is an entirely different question.

Very few bankers or economists would agree with the theory that this book proposes to account for business depressions, namely, that "stagnation of business with its coincident lack of employment is due to the inadequacy of the medium of exchange"; and even those who believe that the arbitrary limitation upon the power of the banks to extend further credits is a prime source of the trouble, would deny that its origin lies in a lack of currency.

The industry of the authors of this volume in making a thorough investigation of economic conditions may be commended without approving the conclusions they have reached.

Regulation and Restriction, Not Liberty, the New Watchwords of To-Day*

IT is a matter of no small concern to those who leave this university to-day for the purpose of entering upon the active work of life, to realize what ideas and purposes are just now dominant in the minds of men and how these differ from those that have gone before. In the evolution of human ideas a curious cycle is observable. Beliefs and tendencies that have once appeared and that have been rejected or outgrown tend to reappear, sometimes in a new guise, with all the freshness of youth, and they are then acclaimed by those unfamiliar with their history as symbols of an advancing civilization. Probably the greatest waste recorded anywhere in human history is that which results from the attempt to do over again that which has once been done and found disappointing or harmful. If the study of history were more real and more vital than it is ordinarily made, and if it showed ideas, tendencies and institutions in their unfolding and orderly development, and if the lessons of history so studied were really learned and hearkened to, the world would be saved an almost infinite amount of loss, of suffering, and of discouragement.

WHEN this college was young the word that rose oftenest and instinctively to the lips was liberty. Men were then everywhere seeking for ways and means to throw off trammels which had been placed upon them by institutions of long standing, but which were found to hamper them at every turn and to hem them in on every side. Liberty in those days meant not one thing, but many things. It meant freedom of conscience, of speech, and of the press; it meant participation in the acts of government and in the choice of governing agents; it meant freedom to move about over the world, to seek one's own fortune under

*[President Nicholas Murray Butler's Commencement Address at Columbia University, New York, June 3.]

strange skies and in foreign lands, there to live the life that one's own mind and conscience selected as most suitable. Liberty was then the watchword, not in the New World alone by any means, but in the Old World as well, and particularly in France, which has so often pointed the way of advance in the march of ideas. Standing in his place in the convention during the fateful spring of 1793, Robespierre pronounced this definition of liberty, which is almost the best of its kind: "Liberty is the power which of right belongs to every man to use all his faculties as he may choose. Its rule is justice; its limits are the rights of others; its principles are drawn from Nature itself; its protector is the law." Whatever judgment may be passed upon Robespierre's conduct, certainly his thought on this fundamental question of liberty was clear and sound.

But during the years that have passed we have moved far away from this view of what is important in life. There has grown up, not alone in America, but throughout the world, an astonishingly widespread belief in the value of regulation and restriction not only as a substitute for liberty, but directly in opposition to it. That against which the leaders of the race revolted a century and more ago is now pressed upon us in another form as a desirable end at which to aim. Not liberty, but regulation and restriction are the watchwords of to-day, and they are made so in what is sincerely believed to be the greater public interest. John Stuart Mill, in his classic essay "On Liberty," saw and described these tendencies nearly fifty years ago, but even his clear vision did not foresee the length to which restrictions on liberty have now been carried.

JUST as the driving force of an engine is to be found in the steam chest and not in the brake, so the driving force in civilization will be found in liberty and not in restriction. The cycle will, in due time and after a colossal waste of energy and of accomplishment, complete itself, and liberty will once more displace regulation and restriction as the dominant idea in the minds of men. It is worth your while to take note, therefore, that while liberty is not now in the foreground of human thinking and human action, it cannot long be kept out of the place which of right and of necessity belongs to it.

The only logical and legitimate restriction upon liberty is that which is drawn from the like liberty of others. That men may live together in family, in society, and in the State, liberty must be so self-disciplined and so self-controlled that it avoids even the appearance of license or of tyranny.

THERE are three possible ways of viewing and of stating the relationship between the individual and the group or mass of which he forms a part.

In the first place, each individual may be regarded as an end in himself whose purposes are to be accomplished at all hazards and quite regardless of what happens to his fellows. This is that extreme form of individualism which has always ended, and must always end, in physical conflict, in cruel bloodshed, in violent anarchy, and in the triumph of brute force. It does not provide a soil in which ideas can flourish.

In the second place, each individual may be regarded as a mere nothing, a negligible quantity, while the group or mass, with its traditions, its beliefs, and its rituals, is exalted to the place of honor and almost of worship. The logical and necessary result of this view has always been, and must always be, from the standpoint of human accomplishment in institutions, stagnation, powerlessness and failure. It is this view of life which has from time immemorial held so many of the great peoples of the Orient in its grip and which has set them in sharp con-

trast with the active and advancing life of the West for nearly two thousand years past.

The third view of the relationship of the individual man to the group or mass is the one that I would press upon you as offering the fullest measure of individual happiness and achievement and the greatest amount of public good. It stands between the philosophy of self-assertion, of disorder, of brute force, and of anarchy on the one hand, and the stagnation of an unprogressive civilization on the other. It is the view which emphasizes the individual to the utmost, but which finds the conception of each individual's personality and accomplishment in his relations to his fellows and in his service to his kind. "He that loseth his life shall find it" is alike the last word of ethical philosophy and the supreme appeal of Christian morals. The enrichment and the development of the individual, in order, not that he may acquire, but that he may give; in order, not that he may antagonize, but that he may conciliate; in order, not that he may overcome and trample under foot, but that he may help and serve—this, as distinguished from the philosophy of disorder on the one hand and the philosophy of stagnation on the other, I call the constructive philosophy of the institutional life. It is built upon human individuality as a cornerstone and a foundation. The higher and loftier the structure rises, the more plainly it points upward, the heavier is the burden that the foundation bears and the greater is its service to God and to man.

Some Reasons for Success

YOUNG men in banking are seeking for the secret of success. It seems that this search may be aided by a study of what is printed below, the words being spoken at the funeral of David L. Heinsheimer of Glenwood, Iowa, president of the Iowa Bankers Association, the speaker being Hon. John Y. Stone:

"He was the personification of business integrity. His mind was essentially a business mind. During the first two-thirds of his life no detail pertaining to his affairs escaped his attention, but he gradually grew away from this and left details to younger men—his associates and assistants—yet he never relaxed his grasp of the larger and more general features. He probably never did a reckless or even careless business act in his life. He was the soul of caution and conservatism; but his mind came to sound conclusions, and he had the courage to execute his judgment.

"His nature was kindly and sympathetic. His advice was sought by and freely given to persons, high and low, upon all kinds of personal subjects. He had a wondrous love of companionship, which he sought everywhere, and never repelled. It was hard for him to break away, day or night, from the friendly exchange of views and confidences with his fellows. He was a loyal and sympathetic friend and he loved to express his friendship in helpful deeds. He was a generous neighbor, a kind father and noble husband, and his home was ever the home of hospitality and good cheer. During the fifty-three years that he lived here, no man who has passed from among us will be more greatly missed, and it will be long, indeed, before the memory of his name, his character and his kindly acts shall fade away."

Modern Financial Institutions and Their Equipment

New Home of the Lincoln Trust Company, New York

WITH an increase of almost one hundred per cent. in deposits since 1908, the Lincoln Trust Company of New York felt itself under the necessity of providing larger and better facilities for its growing business. Having this object in view, an appropriate site was chosen, with a frontage at 204 Fifth avenue and 1124 Broadway, and on this admirable location a three-story fireproof building was erected and is now occupied for the company's exclusive use.

LINCOLN TRUST COMPANY BUILDING, NEW YORK

The fact that the building fronts on two of the city's most famous thoroughfares gives the company an excellent location in the center of the important district which the Lincoln Trust Company has so well served for more than twelve years. This company is one of the few financial institutions in the locality owning the building it occupies. The fact that the company has erected so substantial and handsome a structure in a situation where the land is costly is indicative of the intention of the company to remain permanently in this location.

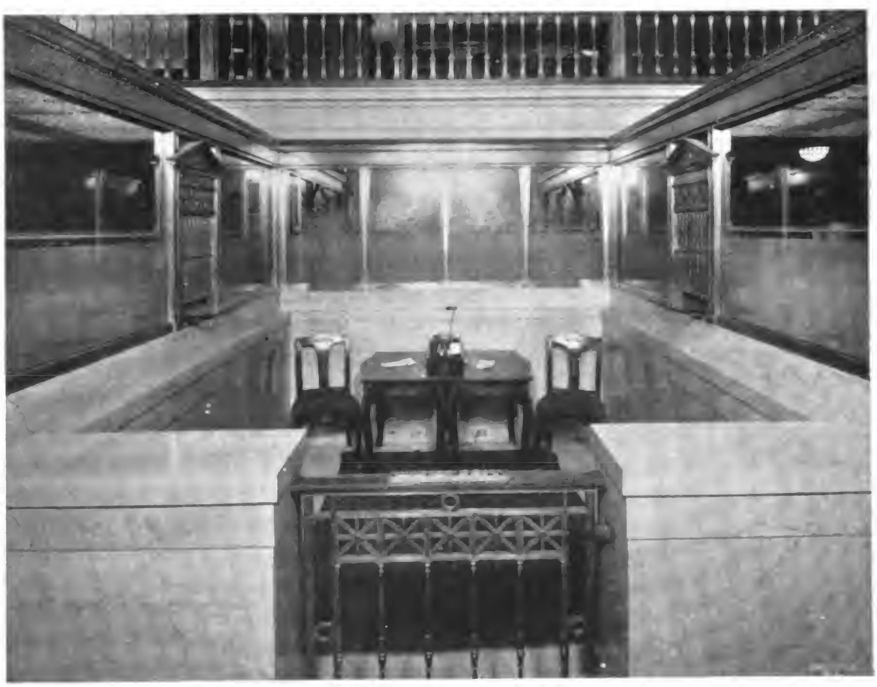
As will be seen from the accompanying illustrations, the new building of the Lincoln Trust Company presents a very handsome appearance, both on the exterior and interior. The fronts on Broadway and Fifth avenue are of Indiana limestone. The interior is simple but elegant and harmonious in all the appointments, Botticini marble, Caen stone and natural-finish bronze being employed. The banking rooms and officers' quarters are all fitted in excellent taste and contain every essential for the convenient transaction of business. Abundant natural light is furnished by large windows extending the height of two floors. The system of ventilation is perfect.

In apportioning the space, the ground floor was given to the banking rooms and offices, the second floor to directors and committees, and the top floor to the bookkeeping department, storage vaults and locker-rooms. Underneath the main floor are the modern and complete safe-deposit vaults, constituting an important department of the company's business.

MAIN BANKING FLOOR

BOOKKEEPING DEPARTMENT
LINCOLN TRUST COMPANY, NEW YORK

DIRECTORS' ROOM



LADIES' DEPARTMENT
LINCOLN TRUST COMPANY, NEW YORK

As the company is located within the city's great shopping district, the ladies' department has also received special attention in the new building.

With a large and durable structure of steel, concrete and stone, fitted up in accordance with the latest ideas in bank equipment, the Lincoln Trust Company has all the physical adjuncts for the safe and convenient transaction of business, and these facilities fairly represent the soundly-progressive ideas of the management, headed by President Alexander S. Webb.

SAFE DEPOSIT DEPARTMENT—PARTIAL VIEW
LINCOLN TRUST COMPANY, NEW YORK

Under the trust company laws of the State of New York the Lincoln Trust Company has power to act as executor, administrator, guardian or committee, and as registrar or transfer agent; to receive deposits subject to check: issue certificates of deposit, to receive bonds and stocks for safe-keeping, to collect coupons and dividends, issue letters of credit, and drafts available in all parts of the world, and to transfer money by cable. With these broad trust company and banking powers, the company combines the business of conducting a complete safe-deposit department.

It will thus be seen that the Lincoln Trust Company is endowed with numerous privileges and functions enabling it to furnish practically all financial facilities that its patrons may require. The success which the company has achieved, and the careful provision made for the protection of depositors may be seen from the accompanying table.

ASSETS

Cash in vault and banks......	$3,106,721.04
Exchanges for clearing house.	125,596.87
Demand loans on collateral..	2,339,738.92
Time loans on collateral......	3,420,366.19
Bills purchased	1,470,709.72
Bonds, market value.........	2,209,883.64
Stocks, market value	179,200.00
Bonds and mortgages........	917,019.48
Real estate	10,000.00
Building, 204 Fifth Avenue..	79,875.53
72nd St. leasehold imp'mt....	40,000.00
Rent and expense............	75,046.55
Total	$13,974,157.94

LIABILITIES

Capital	$1,000,000.00
Surplus	500,000.00
Undivided profits	41,879.80
Interest and Commission.....	93,138.51
Reserved for taxes and expense	22,377.20
Treasurer's checks	10,951.56
Deposits	12,305,810.87
Total	$13,974,157.94

The officers and directors are:

Officers—Alexander S. Webb, president; Abram M. Hyatt, vice-president; Owen Ward, vice-president; Horace F. Poor, vice-president and treasurer; Frederick P. Davis, secretary; Breckenridge Carroll, assistant treasurer.

Directors—W. D. Baldwin, president Otis Elevator Company; George Blagden, Clark, Dodge & Company; George C. Boldt, president Waldorf-Astoria Hotel Company; Wm. G. Conklin, president Franklin Savings Bank; O. L. Dommerich, L. F. Dommerich & Company; William Felsinger, president New York Savings Bank; Hermann C. Fleitmann, Fleitmann & Company; Erskine Hewitt, president Ringwood Company; Samuel V. Hoffmann, E. A. Hoffmann Estate; Ed-

ward W. Humphreys, president Miss. Wire Glass Company; Abram M. Hyatt, vice-president; Arthur Iselin, Wm. Iselin & Company; Bradish Johnson, Bradish Johnson Estate; Clarence H. Kelsey, president Title Guarantee & Trust Company; W. DeLancey Kountze, Kountze Brothers; George Leask, George Leask & Company; John P. Munn, M. D., trustee U. S. Savings Bank; P. F. Murphy, president Mark Cross Company; Irving E. Raymond, president A. A. Vantine & Company; B. Aymar Sands, Bowers & Sands; Isaac N. Seligman, J. & W. Seligman & Company; Louis Stern, Stern Bros.; Owen Ward, vice-president; Alexander S. Webb, president; Wm. H. Wheelock, Douglas Robinson, Chas. S. Brown & Company; C. Morton Whitman, Clarence Whitman & Company.

Besides the main office at 204 Fifth avenue and 1124 Broadway, the Lincoln Trust Company maintains an uptown branch at Broadway and Seventy-second street and a towntown branch at Broadway and Lispenard street.

First Trust and Savings Bank, Oakland, California

THE rapid and substantial commercial and industrial growth of Oakland is evidenced by the solid character of the business architecture of the city, a splendid example of which is the eleven-story modern building recently completed by the First Trust and Savings Bank.

THE BUILDING

THIS building, which is known as the First Trust and Savings Bank Building, is of the finest type of construction. The exterior is encased in Manti stone of a beautiful whitish buff color, quarried in Utah. The general style of exterior and interior design is of the Italian Renaissance. The base of the building below the first-story windows is of California granite with tooled surface. Around the jambs of doors and windows of the first story and in emblematic shields at the lower

FIRST TRUST AND SAVINGS BANK BUILDING, OAKLAND, CALIFORNIA

and upper stories is carved stone ornamentation. Over the entrance doors of the bank and building there is a coat of arms representing the various activities of the bank ,with a naturalistic squirrel at each side of the shield to typify the savings tendency and also the intelligent enjoyment of such savings. At the corner of the building on San Pablo avenue is a very unique bank sign, consisting of a gold-plated shield, with a beautifully etched bor-

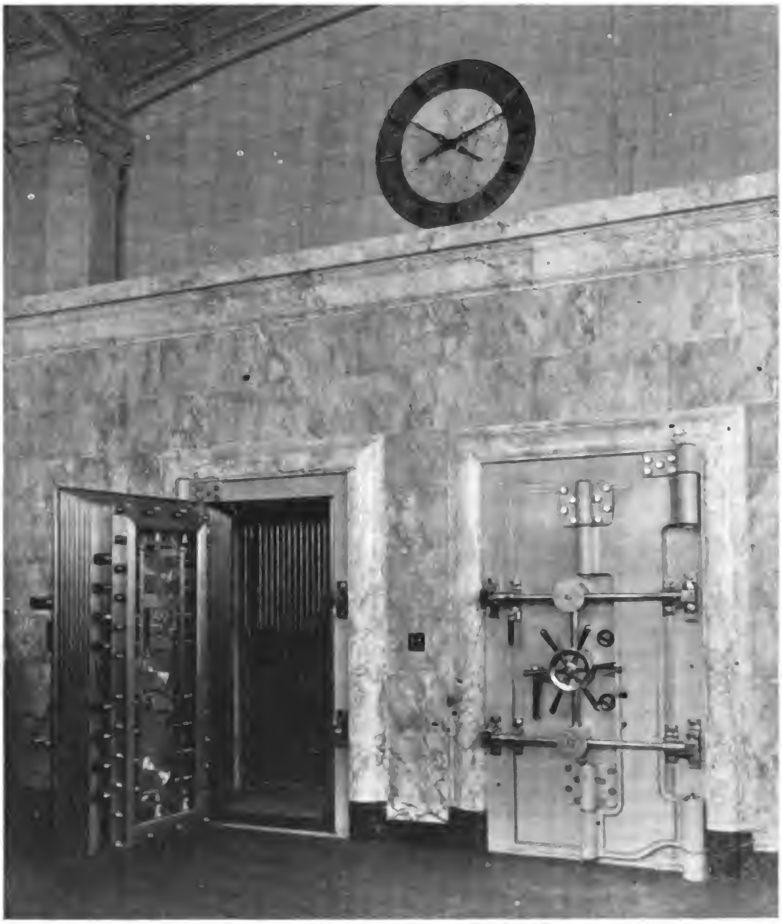
BANKING ROOM

LADIES' ROOM

FIRST TRUST AND SAVINGS BANK, OAKLAND, CALIFORNIA

der ornament, having incorporated in it many of the choicest coins of Greece and Rome. The background of this ornament is in royal purple jewelers' enamel, which also forms the main body of the letters.

room, so as to make it unique and artistic. The ceiling has been modeled by expert sculptors and recalls early scenes of California's history, which are illustrated by circular and octangular medallions in the ceiling, with the names of early pioneers and other prominent men who have been active in the development of the State.



THE VAULT
FIRST TRUST AND SAVINGS BANK, OAKLAND, CALIFORNIA

The First Trust and Savings Bank, whose enormous and rapid growth compelled the erection of this beautiful building, occupies the first story, which is fitted up not only to take care of its present business, but with a view to its constantly increasing development.

A great deal of thought has been given to the design of the banking

The bank has provided for the comfort of its women customers by installing a women's department and rest room, which are for their exclusive use, and are beautifully fitted up with specially designed furniture and im-

ported rugs, with enclosing walls of the most beautiful crotch grain mahogany.

The bank screen is of gold bronze and plate glass above the counter line, but the counter screen is composed of selected Skyros marble especially imported from Greece for this purpose.

In order to instill into the minds of the youthful depositors lessons of thrift and integrity, selections of Poor Richard's sayings have been formed into an ornamental border of 2½-inch bronze letters set in colored cement, forming an ornamental border around the entire marble floor of the lobby.

HISTORY AND GROWTH

THE First Trust and Savings Bank was organized by substantially the same interests as those owning the First National Bank of Oakland, and its inception was due to the public demand for an institution of this character. Prosperity rewarded the efforts of the management from the beginning of business, June 1, 1908, so that by November, 1913, it was deemed expedient to raise the capital from $300,000 to $500,000 to accommodate the growing business.

The growth of the bank has been both steady and rapid, deposits increasing as shown below:

DEPOSIT GROWTH

June 1, 1908	Commenced business
June 1, 1910	$1,634,252.00
June 1, 1912	2,796,165.00
June 1, 1914	3,616,310.00

That the management is efficient appears from this record of growth; that it is prudent is witnessed by the fact that as liabilities to the public have grown the capital has been increased and by the further fact that in addition to the capital of $500,000 there is $57,800 of surplus and $28,411 of undivided profits; that the bank is imbued with the spirit of progress sufficiently appears from the splendid new bank and office building herein illustrated and described. The total assets of the bank are now near the $5,000,000 mark.

Officers and directors of the First Trust and Savings Bank are:

Officers—P. E. Bowles, president; George D. Metcalf, vice-president and trust officer; L. G. Burpee, vice-president; O. D. Jacoby, cashier and secretary; J. F. Lange, assistant cashier.

Directors—L. C. Morehouse, president First National Bank, San Leandro; E. L. Dow, capitalist; H. C. Morris, president Pratt-Low Preserving Company; W. H. Taylor, of Taylor & Company, lumber; L. G. Burpee, vice-president First National Bank, Oakland; E. A. Heron, capitalist; P. E. Bowles, president; George D. Metcalf, vice-president; O. D. Jacoby, cashier.

WHEN we speak of business—big business or successful business—it is well to bear in mind that we are all a part of it, either as workers or stockholders, and our individual welfare is dependent upon the welfare of business.

—NATIONAL CITY BANK OF CHICAGO.

Foreign Banking and Finance

European

IMPORTANT BANK MERGER

ON June 19 it was announced in London that the London City and Midland Bank would absorb the Metropolitan Bank of England and Wales, which is a large country institution, through an exchange of shares.

This is another step in the rivalry to become the biggest English bank. The combined deposits of the two institutions will aggregate £105,000,000, giving the London City and Midland supremacy among British financial institutions in the amount of deposits.

BANKING IN THE AZORES

FROM the United States Consul at St. Michael's comes the following information about banking in the Azores:

The banking business of this consular district is represented by the Banco de Portugal and the Banco Michaelense.

The Bank of Portugal in St. Michael's is only one of the many branch offices of the Banco de Portugal of Lisbon, and its function is principally that of a government bank. It is the only bank that issues government notes, pays out the salaries of the government employees, and keeps on deposit the government revenues. One-half of the profit goes to the Government. The drafts and letters bought here are sent to London, the sale, however, being negotiated through the Lisbon office, which is advised of the purchase of every £500 and retains the gain by exchange.

The report of this bank for December 31, 1913, shows the following figures: Money in cash, $610,663; net profit, $5,393; deposits payable on demand, $86,780; drafts purchased, $21,278; drafts on hand, $21,411; foreign bills of exchange, $638,622; and money loaned on promissory notes, $303,890.

Two years ago the Banco Michaelense was opened with a view to promote the banking facilities for commercial purposes. It made a good showing during 1918.

The bank issues a kind of promissory note, which is filled out and signed by the person wishing to borrow money from the bank. The note is countersigned by a responsible person who guarantees payment within the specified time. The money is then lent and interest is charged at the rate of six per cent. The importance of this bank for commercial development of the country is shown by the amount of money loaned out in this way for business purposes, which during 1913 was $459,900, against $303,891 of the Banco de Portugal.

As yet the Banco Michaelense has no connections with American banks, but efforts are being made to establish them, and the bank hopes to succeed during 1914. At present all drafts from the United States are made out against English banks; and, likewise, banks here make out their drafts and letters on English or French banking concerns.

EXODUS OF CAPITAL FROM FRANCE

THE tendency to restrict capital, now so marked a feature of legislation in the United States, is exer-

cising some unfavorable effects in other countries as well.

Advices from Paris state that the ill wind of confiscatory legislation that is affecting the French market to an almost unprecedented extent should blow good to foreign capital concerns if taken advantage of. The Swiss have been quick to profit by the situation, and have opened their doors to a large amount of liquid French capital and deposits of French bonds. During the past five months, since indeed, the departure of M. Barthou's Ministry, which stood for immunity of the rente, hundreds of millions of francs, either in cash or securities, have passed the frontier. As a consequence, the Confederation is now in enjoyment of huge sums, the withdrawal of which has adversely affected commercial development in France. A certain number of French banks contemplate opening branches in Geneva and elsewhere to catch this golden stream, but the bulk of it goes to Swiss institutions. The amount of business is so large that an international trust company is now being formed to reap some of the benefit.

"With careful and at the same time adroit management a valuable field can be opened up by English banks," says the Paris correspondent of the London "Times." "French capital flows into Switzerland, why not to London, and preferably, through banks established in Paris for that purpose? For the banks should not be mere branches run from London, but responsibly managed in Paris by some one acquainted with local conditions, and staffed by French speaking clerks."

GOLD RESERVES—BILLS OF LADING—PROPOSED NEW SYSTEM OF EXCHANGE

AT the sixth annual international congress of chambers of commerce, recently held in Paris, the matters indicated above were discussed in an interesting way.

F. F. Begg of the Chamber of Commerce of London, urged some sort of international monetary reserve to ward off panics.

International machinery, he said, should be set up through the great banks, whereby there should be maintained at various points reserves of gold for use in times of panic. "A committee of the great banks," he said, "would, in event of a panic, direct a stream of gold towards the disturbed spot." He continued:

"Judging by the effect which the movement of a moderate amount of gold has under modern conditions either to create or allay anxiety, I am of the opinion that $15,000,000 held at each of six large financial centers or the equivalent in bullion of local gold coin would be sufficient for practical purposes. This gold would be specially set apart and held exclusively for the purposes of the proposed plan. We should have by this means a fund of $90,000,000 always available for the purpose of the scheme. Let it be observed that the $15,000,000 which would by hypothesis be lodged at the point of disturbance, should that point be one of the places included in the scheme, would be available at once. It would form a species of financial 'first aid' and could be released immediately to relieve the pressure."

The ways in which the great shipping companies absolve themselves in bills of lading from responsibilities which are "rightfully theirs," was the subject of a report from the Belgian Chamber of Commerce. It was declared that shippers were placed in an intolerable position by being forced to accept clauses which the transportation companies wrote into the bills of lading. They were drawn up "in an almost unintelligible language, so they often escape the attention of the shipper—the more so since they frequently do not reach him until the ship is about to sail."

The reduction of international monetary transactions to simple bookkeeping operations was urged by Dr. Louis Varjassy, secretary of the Chamber of Commerce of Arad, Hungary, who

presented a report to the International Congress of Chambers of Commerce.

He advocated a system of international postal checks and money transfers which, he said, would do much to diminish the fluctuations f the international exchange rates. While such fluctuations could never be abolished, since they were in reality the reflection of the economic situations in different countries, he declared that the system he outlined would reduce the monetary transactions between the countries adhering to the method to simple bookkeeping operations, without any actual sending of minted coin.

GERMAN POSTAL LETTERS OF CREDIT

THE German postoffice has increased the scope and usefulness of its many activities by the introduction of postal letters of credit. This new service, which was begun on May 1, 1914, is expected to prove useful and popular not only with the general traveling public, but also with commercial representatives. Travelers will no longer be obliged to carry a supply of money with them, but, armed with a postal letter of credit, they can obtain money in any town or village where there is a German postoffice or postal agent. The postal letter of credit has the advantage over the bank letter of credit, that it can be cashed in many places where there are no banks, and the postoffices are open early and late and also at certain hours on Sundays and holidays, when the banks are closed.

Postal letters of credit may be taken out for any amount from thirty to 3,000 marks ($7.14 to $714). The letter of credit may be in the name of the person who purchases it or in the name of another. It thus may be used to send money to persons already on the road or away from home. The payee must be named in the letter of credit. He is to take out at the post-

office of his residence a postal identification card which costs fifty pfennigs (11.9 cents), and is valid for four months. The postal letter of credit is available for fifty separate payments, but not for more than 1,000 marks in one day.

In case any postoffice has not sufficient funds on hand to pay the amount required at once, it must get the money at the latest on the following day. It is not necessary for the person taking out the letter of credit to have any money deposited in the postoffice other than the money paid for the letter of credit.

The letter of credit is good for four months. The full amount of credit remaining is paid on demand, or, if about to expire, a new letter of credit may be issued for the amount still due, or the amount may be left in the postoffice in the post check account and postal checks may be drawn against this credit.

The letters of credit cost fifty pfennigs (11.9 cents). A fixed charge of five pfennigs (1.19 cents) is made for each payment, plus five pfennigs for each 100 marks or part thereof.. The cost is rather less than the expense of sending money by a postal order.

GROWTH OF THE WORLD'S GREAT BANKS

COMMENTING on the growth of the world's great banks, a recent issue of "The Statist" (London) says that no statement that can be presented will strike the imagination more forcibly than one which gives the individual deposits of all the great banks of the world possessing deposits of £20,000,000 and over.

If it be borne in mind that a generation ago the number of great banks with deposits of this sum and over could be counted on one's fingers, that the greatest of them in those days had deposits of no more than £36,000,000, that at the preset time there are no less than sixty-one banks with deposits exceeding £20,000,000, and that the deposits of individual banks in these days range up to £126,000,000, some conception can be gained of the influence now exerted by banking upon the world's affairs. It is true that the great increase in deposits of individual banks has come in some measure from combinations and absorptions.

But while this circumstance explains in part the really enormous growth in the deposits of certain banks, it does not affect the great increase in the number of banks possessing deposits of over £20,000,000 per institution. Indeed, had there been no amalgamations the number of banks possessing this amount of deposits would probably have been still greater than sixty-one.

The growth in the size of the deposits of individual banks in itself reflects the spirit of the time—the desire to act in coöperation and in combina-

DEPOSITS OF THE WORLD'S GREAT BANKS, END 1913 AND IN 1880.

		Deposits and Current Accounts 1913	1880
1.	Imperial Bank of Russia	£125,928,000	£37,971,000
2.	Lloyds Bank	*104,306,000	5,785,000
3.	London City and Midland Bank	93,834,000	....
4.	Credit Lyonnais	89,399,000	16,484,000
5.	London County and Westminster Bank	88,314,000	....
6.	Deutsche Bank	79,002,000	3,215,000
7.	Societe General (Paris)	72,513,000	13,353,000
8.	Bank of England	71,357,000	33,809,000
9.	National Provincial Bank of England	67,882,000	29,138,000
10.	Hong Kong & Shanghai Banking Corporation	61,554,000	4,726,000
11.	Barclay & Co.	60,806,000	....
12.	Comptoir National d'Escompte de Paris	56,574,000	....
13.	Bank of Spain	56,316,000	23,751,000
14.	Direction der Disconto-Gesellschaft	†50,000,000	3,228,000
15.	Dresdner Bank	47,920,000	4,752,000
16.	Banco de la Nacion Argentina	47,264,000	....
17.	National City Bank, New York	44,266,000	3,249,000
18.	Parr's Bank	43,669,000	3,137,000
19.	Russian Bank for Foreign Trade	43,018,000	2,055,000
20.	Union of London and Smiths Bank	42,084,000	13,358,000
21.	Bank of France	40,318,000	25,011,000
22.	Capital & Counties Bank	39,958,000	3,465,000
23.	Canadian Bank of Commerce	39,769,000	2,318,000
24.	Imperial Bank of Germany (Reischsbank)	39,694,000	8,663,000
25.	Bank of Montreal	39,100,000	....
26.	London Joint Stock Bank	37,637,000	12,645,000
27.	Oesterr'chische Credit-Anstalt fur Handel und Gewerbe	36,005,000	6,920,000
28.	Continental & Commercial Nat'l Bank, Chicago	35,840,000	....
29.	Banque Internationale de Commerce a St. Petersburg	35,252,000	1,601,000
30.	Bank of New South Wales	34,281,000	9,039,000
31.	Volga Kama Commercial Bank (Russia)	34,126,000	5,085,000
32.	Guaranty Trust Co. of New York	33,386,000	....
33.	Russian Commercial & Industrial Bank	32,668,000	....
34.	Banca Commerciale Italiana	32,491,000	....
35.	Darmstadter Bank	30,384,000	1,457,000
36.	Banque Russo-Asiatique	30,000,000	....
37.	National Bank of Commerce, New York	29,745,000	3,446,000
38.	Allgemeine Oesterreichische Boden Credit Anstalt	28,771,000	15,393,000
39.	Royal Bank of Canada	28,500,000	....
40.	First National Bank, Chicago	28,441,000	2,654,000
41.	Bankers Trust Co., New York	27,448,000	....
42.	Manchester & Liverpool District Bank	25,917,000	10,825,000
43.	Chase National Bank, New York	24,816,000	....
44.	London & River Plate Bank	23,432,000	2,849,000
45.	National Park Bank, New York	23,138,000	....
46.	Farmers' Loan & Trust Co., New York	23,045,000	2,091,000
47.	Hanover National Bank, New York	22,673,000	1,620,000
48.	Oesterreichische Landerbank	22,341,000	1,522,000
49.	Oesterreichische Ungarische Bank	21,869,000	9,506,000
50.	London & South Western Bank	21,521,000	1,787,000
51.	Union Bank of Australia, Ltd. (Aug. 30)	21,335,000	6,767,000
52.	Central Trust Co., New York (June 30)	21,293,000	1,054,000
53.	First National Bank, New York	21,210,000	3,272,000
54.	Commercial Banking Co. of Sydney	21,156,000	....
55.	Yokohama Specie Bank	21,077,000	....
56.	Standard Bank of South Africa	20,900,000	6,082,000
57.	Anglo-Austrian Bank	20,786,000	1,049,000
58.	Bank of Liverpool	20,277,000	3,462,000
59.	London & Provincial Bank	20,246,000	2,491,000
60.	Yorkshire Penny Bank	20,160,000	....
61.	Bank of Scotland (Feb. 28, 1914)	20,061,000	12,508,000

*Including Wilts and Dorset. †Approximate.

tion with others. In the old days people with money favored the private banker, who was entrusted with the secrets of his customers and who guided them with his advice. In these days the private banker has almost ceased to exist, the great banks offering a much greater measure of security to depositors and performing many other services for them at small or no charge. Just as thousands of persons will in these days entrust themselves to the care of the captain of a single great ship and derive an increased measure of safety and protection, so multitudes of persons entrust their cash balances to the care of a single institution, believing their money to be safer and more secure the greater the institution.

This tendency to combine and coöperate for mutual advantage has extended to every country, and all over the world great banks have arisen which gather together money that would otherwise lie idle in tills and in boxes, and thus render the sums of great value not only to those who possess them, but to the whole community, by employing them to finance both national trade and international commerce. In fact, trade and commerce could not have expanded to their existing vast proportions but for the growth of banking, the introduction of the check and the bill, and the ability to send money by telegraph and by cable in a few minutes or in a few hours from town to town and from country to country.

An accompanying table contains a statement of the world's banks with deposits of over £20,000,000.

CHANGE OF ADDRESS

THE French Bank for Commerce and Industry, Paris, reports a change of address from 9 Rue Boudreau to 17 Rue Scribe.

Australasian

ROYAL BANK OF QUEENSLAND, LTD.

NET profits of this institution for the last half-year, as shown in the report presented at the ordinary general meeting of shareholders in Brisbane, April 28, were £16,964, which added to the amount carried forward from the previous half-year, gave an available balance of £18,219. After paying a dividend at the rate of five and one-half per cent., and making other usual provisions, £1,451 was carried forward.

ROYAL BANK OF AUSTRALIA

HIGHLY satisfactory results are again exhibited in the accounts of the Royal Bank of Australia for the six months ended March 31 last. A

net profit of £23,069 was earned, as compared with £22,052 in the corresponding term in 1913, and the balance available was £29,164. The usual dividend at the rate of eight per cent, has absorbed £12,000; to reserves £10,000 has been placed, raising the total to £210,000; and a balance of £7,164 has been carried forward.

COLONIAL BANK OF AUSTRALASIA

NET profits of the Colonial Bank of Australasia for the six months ended March 31 last amounted to £29,230, as compared with £29,110 for the preceding half-year, and £29,002 for the March term of 1913. The amount available for distribution was £35,860, from which it was decided to make the following appropriations: Dividend at the rate of seven per cent. on both preference and ordinary shares, £15,375; reserve fund, £10,000, raising same to £220,000; reduction of bank premises, £5,000; officers' provident fund, £1,000; and to carry forward, £4,485. In comparison with twelve months ago, the reserve fund is £20,000 higher, whilst liquid assets have expanded by £47,772, to £2,078,787, and now represent about forty-seven per cent. of the liabilities to the public. Deposits are down £65,727, while advances are less by £6,343. Real estate in possession figures at only £8,244.

Asiatic

FINANCIAL POLICY OF THE NEW JAPANESE CABINET

THE Imperial Japanese Minister of Finance, Mr. Wakatsuki, made the following announcement on May 15th:

Recognizing the importance of strengthening the financial and economic resources of the Empire, and of bringing thereby a favorable turn to its foreign trade, the present cabinet shall endeavor to carry into effect the following plans:

1. Reduction of taxes after careful scrutiny of the present status of various sources of revenue and the equity of the burdens imposed.

2. The policy with regard to the national debt will be thus modified:

Instead of yen 50,000,000, heretofore appropriated for the redemption of the principal of the national debt in the National Debt Consolidation Fund, the sum of yen 45,000,000 or upwards in the present fiscal year and that of yen 40,000,000 in the fiscal year of 1915 will be applied for the redemption purpose. Furthermore, the funds required for the Imperial Railways and for the development of Korea, both of which constitute the special account in the budget and here-

tofore raised by the issuance of government bonds, will be met not by the issue of government bonds, either at home or abroad, but by the funds set aside in the National Debt Consolidation Fund, and by the surplus in the treasury.

3. There will be no change in the prescribed government bond policy of redeeming annually foreign loans to the amount of yen 10,000,000.

4. The time of payment of certain taxes will be deferred to the benefit of the taxpayers and the money market. This contemplated delay in the payment of the *sake* tax and the farm land tax will cause a shortage in the current fiscal year of yen 22,000,000 and yen 12,000,000 respectively. Also the education fund, the currency consolidation fund and the foresty fund will all be refunded. The above shortage and refunds will be paid out of the surplus in the treasury, and the issue of the treasury bills will be restricted as much as possible.

5. The financial policy adopted is to be guided by strict economy and the government hopes to find speedy and proper solution of the pending questions which are likely to become the causes of financial anxiety.

6. To increase reserve funds in the ordinary budget.

7. Attention will be directed to give fuller scope to the functions of several special banks, and the government shall seek to provide an increased supply of low rate funds for the fostering of agriculture and local industries.

8. Such businesses hitherto conducted by the government that would be better undertaken as private enterprises will be transferred to private concerns.

Latin-America

BANCO POPULAR ARGENTINO

APPLICATIONS were recently invited by the British, Foreign and Colonial Corporation, Limited, for the sale of 500,000 Argentine Gold Dollars (£99,125) five per cent. twenty-year gold bonds of the Banco Popular Argentino in bonds of 100 Argentine gold dollars (£19 16s. 6d. each) at the price of ninety-five per cent., or £18 16s. 8d. per bond. The bonds are redeemable at par in gold on October 1, 1932, or at any previous time after Otcober 1, 1922, at 102 per cent.

The bank is a coöperative institution founded in 1887. It does an ordinary deposit and discounting business, and, in addition, grants loans against mortgages. The security for the bonds, of which, including the present issue, about £510,000 have been issued, while further issues may be made to the extent of the paid-up capital (at present £911,144), consists of the assets of the bank, but primarily in the debts owing on the security of real estate or other approved collateral with an ample margin. The bank has had a successful career, and during the past twenty years the net profits have

risen from £11,065 to £134,758, the dividend on the paid-up capital rising from nine per cent. to thirteen per cent.

NEW BRAZILIAN LOAN

DEFINITE announcement was made last month that a new $100,000,000 loan had been underwritten in London for rehabilitating the somewhat strained finances of Brazil. The loan will be offered for public subscription simultaneously in London, Paris, Berlin and New York.

Brazil has for the last two years particularly been suffering the reaction that is so natural from national and individual extravagance, as exemplified by such measures as coffee valorization. With this reaction has come a decided depreciation in the country's securities, and in turn this condition has become an influence in the foreign markets—especially Paris and London, where so large a volume of the Brazilian securities are held.

CREDIT RESTRICTION IN ARGENTINA.

ON April 28, 1914, the Cámara de Defensa Comercial (Chamber of Commercial Protection) of the Rosario Bolsa de Comercio issued a circular addressed to the business men and banks of the city making the following recommendations: (1) That no credit sales be made to firms which have made settlements discharging them from debt either in or out of court; (2) that commercial paper bearing signatures of said firms, either as indorsers or acceptors, not be discounted.

The reason for the step taken by the Cámara de Defensa Comercial, as explained in the circular, is the rapidly increasing number of failures and especially settlements due to poor management, carelessness, in many cases illicit means of securing credit, and the general tendency to conduct business on a speculative basis noted in most cases of insolvency.

It is proposed to form an agreement between the different firms and banks which signify their approval of the recommendations of the circular.

CHILEAN COMMERCIAL PROGRESS

NOTWITHSTANDING financial and other difficulties in the Republic of Chile during last year, says United States Consul Alfred A. Winslow of Valparaiso, the country advanced commercially and the outlook for the future is fair. A number of projects for development are contemplated as soon as financial conditions improve. Much interest is manifested in the opening of the Panama Canal, and American interests should avail themselves of this growing market

brought so near their doors. Valparaiso is only about 5,000 miles from New York, which should be made in twelve to fourteen days.

The banking interests of Chile experienced a poor year, and not much improvement was expected for the first half of the present year at least. Many loans were drawn in and but comparatively few new loans were made on even gilt-edged paper, and then only in a small way to tide over those hard pressed. This often made it practically impossible for importers to meet their drafts, and they were, therefore, obliged to ask for extensions, thus complicating matters for the American exporter since there were no direct banking facilities between the two countries. The European branch banks in Valparaiso were able to do much for the European exporter, and aided much in preventing a real money panic. American interests should join in establishing a chain of branch banks in the commercial centers of South America, as they would be of great aid to American business in this part of the world as well as a valuable assistance in the development of the great natural resources of these countries.

It seems quite clear that the foreign branch banks in Chile have been a paying investment almost from the beginning. Some of them have earned as high as forty per cent., and it is stated on good authority that their loans average more than ten times their capital and in one case reached more than fifteen times the capital. It is proposed to introduce laws regulating the amount of loans a bank may carry.

Money was scarce during 1913, with the value of the paper peso fluctuating between twenty cents on January 8, 1913, to a trifle over eighteen cents on December 31; the value of the gold peso was 36.5 cents. In February, 1914, the value of the paper peso dropped to a little less than seventeen cents, but on April 21 was worth very nearly twenty cents. Money was scarce during last year and very few undertakings were financed, and the completion of works under way in many cases was retarded. Collections were slow and business in general suffered greatly. Interest rates were higher than usual, with a heavy decline in stocks. Notwithstanding the shortage of money there were comparatively few failures, which indicates that the fundamental conditions are good.

The government appropriations for the year amounted to $69,823,188 against $85,596,145 for 1912. There was a deficit of $5.529,000, being the largest in many years. The foreign debt amounts to $182,425,882, to which it is proposed to add about $25,000,000 as soon as an advantageous loan can be made. This will be used on internal improvements and coast defenses. On December 31, 1913, the paper currency of the country amounted to $33,120,000 against $67,160,000 for its face value on a gold basis. The present interest charge amounts to $8,331,930 annually.

The fluctuation of the paper currency has been a serious handicap to the proper development of the country. At various times the government has decided to resume specie payment at some fixed date, but before that date arrived it was postponed, until now it seems resumption would be realized January 1, 1915, on the basis of ten pence sterling, or twenty cents United States gold, for a paper peso. (The Chile gold peso is worth 36.5 cents United States gold.) The importance of a stable currency is generally felt here, but it seems to be a difficult matter to bring it about. The matter was before an extra session of the Chilean Congress in April of this year and was in a fair way to be settled.

American interests fared exceptionally well in Chile during 1913, the imports from the United States amounting to $20,090,266 against $16,806,341 for 1912, an increase of $3,283,925. The imports from the United Kingdom, however, decreased in value $2,570,972, and from Germany $3,609,890 during the same period. The outlook for American business is good if American exporters will carefully carry out instructions and can meet prices and terms of credit offered by their European competitors. [All values in this report are given in United States gold and weights in United States standards.]

American capital continued to flow into Chile during the year, principally in developing properties already acquired. These covered nitrate works, of which there are sixteen controlled by American capital out of a total of 135; two large copper properties and one large iron ore mine, to say nothing of the smaller undertakings under way. When these properties are fully developed it will mean an investment of $50.000.000 to $60.000,000, and there are still others taking options on mining properties in Chile that may double the investments. It seems clear that Chile will again take rank well forward as a copper-producing country, and that American capital will do the work.

AFFAIRS IN ARGENTINA

OWING to the illness of the President, the Argentine Congress was opened last month by the vice-president, Dr. Victorino de la Plazas, says "The Statist," of London. In his address to the Congress he said that the national government's example had a most beneficial influence in provincial politics. He laid stress on the effects of the new law elections and called attention to disturbances which called for mediation. Turning to foreign affairs, he declared that Argentina has most cordial relations with other nations. The United States has proposed to submit to an international committee all differences between that country and Argentina. The latter had accepted the proposal and the Argentine legation in the United States has been authorized to sign in conjunction with Brazil and Chile, so that that important act be sealed by the four nations simultaneously. Coming next to Mexican affairs, he said that as the United States refused to recognize the government of General Huerta, Argentina, Brazil and Chile, inspired by sentiments of friendship, undertook to propose mediation, which was accepted by the United States and Mexico. He declared that it would be a great day for the whole of America if, through this friendly mediation, peace resulted. The public finances of the country, he pointed out, are satisfactory, as the ordinary resources are sufficient to meet the ordinary outlays and the greater part of the extraordinary. The accounts for 1913 have been closed. The budget authorized an expenditure of £37,162,000, of which, however, only £33,466,000 were actually laid out. The outlays authorized by special laws amounted to £2,066,000. The ordinary and extraordinary treasury receipts amounted to £34,897,000. The total funded debt, internal and external, amounted to £108,800,000. In this sum is included £4,178,000 of the funded debt of the municipality of Buenos Ayres taken over by the National government. The repayment of debt amount-

	1913	1912	1903
Current accounts	$140,635,514.59	$106,694,006.01	$30,195,703.37
Check accounts	39,027,167.69	37,607,205.70	7,993,145.26
Deposit accounts	14,771,696.08	2,663,094.27	395,378.61
	$194,434,378.36	$146,964,305.98	$38,584,227.24

ed last year to £2,022,000. The exports of the country in the first quarter of the present year amounted to £24,389,000, and the imports to £19,030,000. Thus the balance of trade in favor of Argentina is equal to £5,359,000. The bullion imported during the three months was £2,829,800, and that exported only £52,850. Economies in this year's budget have been introduced to the extent of £2,846,000. Agriculture, he declared, continues to expand, the increase being 2,728,000 acres over those of 1912, of which 1,711,000 acres are under wheat, oats and maize. The crop harvest for 1913-'14 is 13,800,000 tons in wheat, oats, linseed, barley and maize, being an increase of 750,000 tons over the preceding harvest.

INTERNATIONAL AND MORTGAGE BANK OF MEXICO

ALTHOUGH political conditions in Mexico have been for some time seriously disturbed, the International and Mortgage Bank has continued to show good earnings, the net profits for 1913 amounting to $518,527, against $521,563 for the year preceding. After making the customary allotments (including a dividend of eight per cent.), $100,000 was added to the reserve fund out of the earnings for 1913, and $96,674 was carried forward to new account.

The balance of mortgages on December 31, 1913, was $23,716,735.93, and of mortgage bonds, $22,054,300, leaving a difference of $1,662,435.93, which the bank had the right to issue in bonds at any time.

The bank has $5,000,000 capital and $1,000,000 reserve fund. Its total balance-sheet at the end of 1913 was $46,398,058.94.

While the value of the bank's shares necessarily suffered somewhat as a result of the unsettled political conditions, they held their price remarkably well compared with other bank shares.

The movement of accounts compared with the operative term of 1913, with those of 1912 and 1903 is as above, showing an increase in movement of the three accounts for the operative term of 1913 of $47,470,072.38 compared with the same total of 1912, and of $155,850,151.12 increase over the balance of the three accounts in 1903.

The International and Mortgage Bank (Banco Internacional é Hipotecario de Mexico) was established in

Mexico City in 1882 under special concessions from the Mexican government, and has become one of the country's important financial institutions. Its managing director is Mr. T. P. Honey.

Promoting Our Foreign Trade

Address delivered at the annual convention, May 5 to 7, 1914, of the Texas Bankers' Association, by John Clausen, manager of the foreign department, The Crocker National Bank of San Francisco.

EMERSON says that "Commerce is carrying things from where they are plentiful to where they are needed" —and considering the steady growth in the producing power of our country, his words may be of interest in treating upon some of the essential factors which dominate successful trade relations with foreign countries.

The principal means employed by countries in settling their indebtednesses with the rest of the world is in the exportation of specie, securities or merchandise, and while the first two methods are temporary and influenced by various conditions, the building up of foreign credit balances through the exportation of merchandise is free from impracticable and undesirable features, and therefore constitutes the logical means for international settlements.

Not infrequently the assumption prevails that if one nation buys from another the corresponding amount of goods must change hands between the respective countries. This, however, has no foundation in fact, as when such sales are consummated the selling country is only entitled to receive from the world at large the sum of its credit —wherever the credit may be—and in the same way, the country buying the goods, or lending money, has to settle with the world in general. It is therefore found that our relations are with the world as a unit—and in looking into the future, it is essential to take into account the demand of the world and its steady clamor for higher standards of comfort and consumption.

The new banking law, in permitting national banking associations to establish branches in foreign countries and dependencies of the United States, for the furtherance of the foreign commerce of our country, is quite a step towards putting us in a position to compete on a more equal basis with other nations in carrying on our foreign trade, and with these new facilities at our command, it presents to bankers and merchants the urgent necessity of thoroughly familiarizing themselves with the nature and use of money—the mechanism of exchange—and ways and means for developing our trade with these countries.

It cannot be too strongly emphasized to commercial houses seeking foreign markets for the first time, that unless they approach intended customers in terms with which they are familiar, time and energy will be wasted and result only in misdirected and fruitless efforts.

Knowledge of languages, foreign currencies, weights, measures, shipping facilities and also the apparently insignificant detail of postage, are matters with which it is necessary for our exporting firms—as also banks interested in the financing of foreign trade —to familiarize themselves with, as lack of information on these points, or carelessness in their adherence to these details will result in annoyance to foreign importers and establish in their minds a prejudice against American business methods.

The question of freight and tariff should be carefully studied, as it may at times be required to add these items to the selling price in preparing quotations. It is further a matter of great importance that special attention be paid to the packing of goods, if for no other reason than the favorable impression created abroad, as the lack of attention to the safe and proper delivery of shipments, as ordered and expected, has ofttimes resulted disastrously to the establishment of possible business connections or in the loss of a good account and a valuable client.

It is also essential that the requirements of custom house authorities be minutely observed, in that the consular certificates and invoices give all details regarding materials, weights, etc., and if the shipper here, therefore, has not complete knowledge of regulations ruling in various countries, he is liable to mistakes which may mean heavy fines, also delays and serious inconveniences to the importing firms abroad.

LARGE sums are annually expended by American manufacturers and exporters in advertising their articles in foreign countries by the direct solicitation of agents and through the mails; but no matter how carefully their articles have been prepared, how efficient their agents, or how beautifully illustrated their catalogues may be, if demonstrations be not made in the language prevailing in the country of the prospective client—with prices and measures given in familiar terms—such solicitations will have no trade-getting value.

The yearly export of manufactured articles to foreign countries from the United States is estimated at only six per cent. of the total of over 20,000 million dollars' worth produced here annually, and with the steady increasing demand for American goods all over the world, and the over-supply in local markets, our manufacturers should recognize clearly the need of creating new markets for their goods.

Nations, that on account of their extensive export trade have opened up new fields for their products are in position to furnish employment to over-crowded populations and stimulate the building up of territories which otherwise would be barren, and while the transportation system of the United States has furnished avenues to the wealth of the soil, and given work to a vast army of laborers, if we hope to keep these men employed the year round, we must take advantage of opportunities abroad and thereby avoid disastrous economic conditions in our own country. The fact that of our yearly output of manufactured goods only approximately six per cent. enters into the export trade, shows the comparatively insignificant position occupied by this country in the world's export trade—notwithstanding the proximity of the enormous virgin fields offered by the west coast of South America, which are nearly two thousand miles closer to the manufacturing districts of our country than to the manufacturing districts of Europe, and the added advantage of our superior transportation facilities.

WHILE our competitors in the principal European countries are ever studying to make goods that will appeal to the trade in other nations, our position as yet presents somewhat a commercial problem, inasmuch as the United States is disposing of a surplus of its products abroad, rather than specially-prepared articles designed for export. Some few American firms have adapted their export trade methods to conform with foreign usages and have met with overwhelming success, and it would be greatly to the advantage of our country in widely following that plan, as in this age of keen commercial competition it is far easier to follow the line of least resistance and supply the article the demand requires, rather than introduce in new fields novelties which may or may not have met with success here.

Competition, of course, will be encountered everywhere, but the foreign trade is well worth while, and this fact has been clearly demonstrated by our European friends, who, from this source, have amassed wealth and revenue far in excess of that derived from their own home consumption. If the claims, therefore, for the superiority of American goods are made aggressive realities, and careful, direct and persistent efforts exercised by American manufacturers in their introduction and

exploitation, it will not be long before the balance of trade in manufactured articles, now so largely in favor of our German and other European friends, will be equalized, or even tipped in our direction.

The American exporter must, therefore, make a careful and thorough study of foreign markets, and, if conscientiously pursued, he will find a receptive field for expansion.

SOUTH AMERICA has been particularly referred to in the foregoing as a likely field for developing our foreign trade, and it may be of interest here to reproduce the statistical statement supplied by the Department of Commerce in Washington, through the Bureau of Foreign and Domestic Commerce, showing the progress of our trade relations with South America in comparison with the rest of the world, during the last twenty fiscal years, viz.:

Automobiles in Wisconsin

ADDRESSING the Wisconsin Bankers Association at the annual convention at Milwaukee on June 11, Secretary Bartlett said that "For the first time in the history of the State the financing of farmers' automobiles has become an acute banking problem.

"One town of 600 had applications for $20,000 of bank loans to buy automobiles on alone. The average farmer uses about $500 cash for a machine and borrows $500 on notes for the rest of the purchase price.

"The number of automobiles in Wisconsin has passed the 50,000 mark, which at an average of $1,200 each, according to figures furnished by bankers, makes the total cost of these machines about $60,000,000. About three-fourths of this sum is furnished by the bankers in some form or other. This gives an inkling of the importance that the automobile has assumed in the expenditures of the people of the State and the demand that is made upon bankers."

Fiscal Years	Imports into United States: Total	Imports into United States: From South America	Imports into United States: Per Cent. from South America	Exports from United States Domestic and Foreign: Total	Exports from United States Domestic and Foreign: To South America	Exports from United States Domestic and Foreign: Per Cent. to South Amer.
1893	$866,400,992	$102,207,815	11.80	$847,665,194	$32,639,077	3.85
1894	654,994,622	100,147,107	15.29	892,140,572	33,212,310	3.72
1895	731,969,955	112,167,120	15.32	807,538,165	33,525,935	4.15
1896	779,724,674	108,828,462	13.96	882,606,938	36,297,671	4.11
1897	764,730,412	107,389,405	14.04	1,050,993,556	33,768,646	3.21
1898	616,049,654	92,091,694	14.93	1,231,482,330	33,821,701	2.73
1899	697,148,489	86,597,893	12.42	1,227,023,302	35,659,902	2.91
1900	849,941,184	93,666,774	11.02	1,394,483,082	38,945,763	2.79
1901	823,172,165	110,367,342	13.41	1,487,764,991	44,400,195	2.98
1902	903,320,948	119,785,756	13.26	1,381,719,401	38,403,617	2.75
1903	1,025,719,237	107,428,232	10.48	1,420,141,679	41,137,812	2.90
1904	991,087,371	120,364,113	12.14	1,460,827,271	50,755,027	3.47
1905	1,117,513,071	150,795,800	13.49	1,518,561,666	56,894,131	3.75
1906	1,226,562,446	140,420,876	11.45	1,743,864,500	75,159,781	4.31
1907	1,434,421,425	160,165,537	11.17	1,880,851,078	82,157,174	4.37
1908	1,194,341,792	124,998,590	10.46	1,860,773,346	83,584,874	4.49
1909	1,311,920,224	163,878,724	12.49	1,663,011,104	76,561,680	4.60
1910	1,556,947,430	196,164,786	12.59	1,744,984,720	93,246,820	5.34
1911	1,527,226,105	182,623,750	11.96	2,049,320,199	108,894,894	5.32
1912	1,653,264,934	215,089,316	13.01	2,204,322,409	132,310,451	6.00
1913	1,812,978,234	217,747,038	12.01	2,465,884,149	146,147,993	5.93

From Z to A

THE disadvantage, under certain circumstances, of having a surname beginning with the final letter of the alphabet is illustrated by this story, told by Fred Ellsworth of the Guaranty Trust Company, New York:

Zeno was a colored man who had a savings account in a Southern city years ago before the days of modern banking. One day the bank failed and Zeno was naturally very much perturbed (but he didn't know it by that name). He hung around the door of the bank without any real notion of why he was doing it, but simply because he wanted to be near his money. As the receiver came out of the door of the bank one day he said to Zeno:

"Zeno, why are you staying around the bank all the time?"

"Kaze, I'se got some money in dat 'ar bank and Ah wants to git it out."

"Well," replied the receiver, "don't you know that this bank has to be thoroughly examined before any of the depositors get their money?"

"Dat's all right," said Zeno. "But I just natchully wants ma money."

"Of course you do," responded the receiver, "but you know that you can't get it until everything is straightened up. You know that banks have failed before. This isn't the first time that a bank has busted."

"Shore, Ah knows dat; I'ze heard tell all about banks bustin' befo' dis. But dis here am de fust time dat a bank eva busted right squah in my face."

The examination of the bank went on and ultimately the receiver announced that the depositors would be paid off and in alphabetical order. Unfortunately some mistake had been made in the figuring and when they got down as far as the Ws in the list the money gave out, hence there wasn't any left for Zeno.

This experience, however, did not entirely discourage Zeno, for after several months he had managed to save up some more money, which he took over to another bank, where he was known, and told the cashier he would like to open up a savings account. But Zeno had been doing a powerful lot of thinking and evolved a plan to prevent his being shut out a second time in case the bank failed, for when the cashier started to write down his name as Zeno, the darky said:

"Zeno nuffin. Ma name ain't Zeno no more, ma name's Aaron."

The Federal Reserve Board

ON June 15 these names were sent to the Senate by President Wilson for members of the Federal Reserve Board:

Charles S. Hamlin of Boston, Assistant Secretary of the Treasury, to serve two years.

Paul M. Warburg, member firm of Kuhn, Loeb & Company, to serve four years.

W. P. G. Harding, president First National Bank, Birmingham, Ala., to serve eight years.

A. C. Miller of San Francisco, to serve ten years.

Thomas D. Jones of Chicago, to serve six years.

William G. McAdoo, Secretary of the Treasury, and John Skelton Williams, Comptroller of the Currency, ex-officio members.

Banking and Financial Notes

EASTERN STATES

New York City

—Announcement is made that the Franklin Trust Company of Brooklyn has been taken over by new interests, represented by James Imbrie, William G. Low, Jr., and Edward C. Delafield.

—At a recent meeting of the board of directors of the Fifth Avenue Bank of New York Theodore Hetzler, cashier, was appointed vice-president, and Ernest Foley, auditor, was appointed assistant cashier.

—The new home of the Brooklyn Trust Company, which is to occupy the block front on Clinton street between Montague and Pierrepont streets, will cost $500,000, according to plans filed with the Brooklyn Building Department. Part of the building will occupy the site of the old Brooklyn Club, at the corner of Pierrepont street, and the dwelling adjoining, which are now being demolished. The structure will have an entrance on Clinton street as well as on Montague street. The style of architecture will be Italian Renaissance, with an exterior of Indiana limestone and a peak roof of tile. The banking room, which will run from street to street, will be in marble with a vaulted ceiling.

—By the merger of the Nassau Trust Company with the Mechanics' Bank, Brooklyn, the latter institution will have deposits of about $22,000,000. Charles G. Balmanno, president of the Mechanics' Bank, will remain the head of the combined banks, and Andrew T. Sullivan, president of the Nassau Trust Company, will become first vice-president.

The Mechanics' Bank has a capital of $1,000,000 and a surplus of $561,000. It is sixty-two years old, and was recently reorganized. Mr. Balmanno succeeded George W. Chauncey, who resigned. The Nassau Trust Company has a capital stock of $600,000, and a surplus of $400,000. The new Mechanics' Bank will have a capital stock and surplus of $2,561,000.

—The home of the Mechanics and Metals National Bank, at 50 Wall street, which is one of the choicest properties in the great financial district, has been sold for about $2,000,000. The bank will move in the next six months to the former quarters occupied by the Fourth National Bank, at 20 Nassau street, whose directors recently voted to unite that institution with the Mechanics and Metals National Bank.

The Mechanics and Metals National Bank has occupied the building at 50 Wall street since April 27, 1913, when it moved from 33 Wall street, a site occupied by the bank for more than a century. Its old home was purchased by J. P. Morgan & Company for part of the site of the Morgan Building, now under course of construction.

The first statement of condition, issued by the Mechanics and Metals National Bank since its consolidation with the Fourth National Bank, shows total deposits of $117,541,318, and total resources, $137,450,278. The bank has a capital of $6,000,000 and surplus and undivided profits of $8,942,440.

Samuel S. Campbell has been elected a vice-president of the Mechanics and Metals National Bank. Mr. Campbell has been for several years a vice-president of the Fourth National, which was absorbed by the Mechanics and Metals National Bank. Previous to going with the Fourth National, Mr. Campbell was identified with some of the best-known trust company interests.

—For the quarter ending June 30 the board of directors of the Guaranty Trust Company of New York declared a quarterly dividend of six per cent. and an extra dividend of two per cent.

—The Columbia-Knickerbocker Trust Company, which occupies its own building at 60 Broadway, is to be known in future as the Columbia Trust Company, the directors having decided to drop the Knickerbocker from the name. The company states that the change was decided upon after the receipt of many complaints on the part of depositors, who held that the hyphenated title was cumbersome. There is no change in the management. The trust department is to be enlarged by taking in the offices on the front of the second floor.

The Columbia-Knickerbocker resulted from a merger of those two institutions, the Columbia leaving its quarters to go into the Knickerbocker building.

—Plans have been filed for a one-story fireproof bank building for the Corn Exchange Bank at 124 and 126 East Eighty-sixth street. It will be 25.6 feet wide and 91.8 feet deep, with a facade of marble, and although only one story high it will have a height of 33.8 feet. It will be known as the Eighty-sixth Street Branch of the Corn Exchange Bank and the cost has been estimated at $50,000.

—James H. Perkins, president of the National Commercial Bank, Albany, and the new president of the New York State Bankers Association, has been elected a vice-president of the National City Bank of New York. Arthur Kavanagh, cashier of the National City Bank since 1906, was also elected a vice-president, G. E. Gregory succeeding him as cashier. J. M. Carter was promoted from the position of chief clerk to be an assistant cashier.

—Thomas F. Vietor is a new director of the Farmers Loan and Trust Company, chosen to fill a vacancy.

—The Gotham National Bank has moved from 990 Eighth avenue to its new building at 1819 Broadway.

Philadelphia

—Frank C. Motherwell has just completed his thirtieth year of service with the Merchants Union Trust Company. For the past sixteen years he has been a teller—half the time receiving and half the time as paying.

—George W. Brown succeeds John H. Carr as cashier of the Germantown Bank.

—Philadelphia Chapter of the American Institute of Banking closed the season's work with a smoker, held on the night of the annual election. A record attendance of about 400 was reported, and the number of votes cast was the highest in the history of the chapter, being 568 out of 895 members. The balloting was done by mail and this method has proved highly satisfactory.

The results of the election follow: President, Frank C. Eves, West Philadelphia Title and Trust Company; vice-president, Carl H. Chaffee, First National Bank; secretary, Anthony G. Felix, Central National Bank; treasurer, Norman T. Hayes, Philadelphia National Bank; assistant secretary, John C. Wallace, Philadelphia Trust, Safe Deposit and Insurance Company.

New members elected to the board of governors to serve three years were R. C. Alexander, Central National Bank; David Craig, Tradesmens National Bank; Frank C. Eves, West Philadelphia Title and Trust Company; Harry J. Haas, First National Bank; John C. Wallace, Philadelphia Trust, Safe Deposit & Insurance Company.

The following were elected delegates to the annual convention of the American Institute of Banking to be held in Dallas, Texas, September 22-24: R. C. Alexander, H. St. Clair Ash, M. E. Benton, James R. Borden, Wm. M. Carty, Carl H. Chaffee, A. H. Coate, David Craig, H. E. Deily, Paul B. Detwiler, B. E. Effing, Wm. S. Evans, Frank C. Eves, Chas. A. Faloon, Anthony G. Felix, C. W. Fenninger, John C. Frankland, R. U. Frey, Harry J. Haas, Norman T. Hayes, John C. Knox, Harry Kollock, G. W. Lichtenberger, Jordan Matthews, Eugene J. Morris, David J. Myers, Wm. A. Nickert, T. W. Scattergood, Chas F. Shaw, Thos. W. Smith, J. G. Senneborn, John C. Wallace, O. Stuart White.

—It is reported that the Logan Trust Company will take over the Colonial Trust Company.

Pittsburgh

—It has been decided by the directors of the Union National Bank of Pittsburgh to issue 4000 shares of stock at par, which will increase the present capital to $1,000,000.

The board will then declare a stock dividend of $1,000,000, payable out of surplus, giving the bank a capital of $2,000,000 and a surplus of $4,000,000.

—From the position of assistant secretary of the Dollar Savings and Trust Company, John A. Fuhs has been promoted to that of secretary, succeeding Monroe Witherspoon, deceased.

—D. P. Black, president of the Real Estate Trust Company, is the new president of the Pittsburgh Chamber of Commerce.

—At a meeting of the Pittsburgh Chapter of the American Institute of Banking the following officers were elected for this year: President, H. E. Reed, Union National; vice-president, E. A. Owens, City Deposit Bank; secretary, Paul F. Teesmer, Colonial Trust Company; directors, P. S. Space, Fidelity Title and Trust Company; J. M. Luther, Farmers Deposit National; Bert A. Herrod, First-Second National; Charles L. Werner, Duquesne National; A. L. Stephenson, Anchor Savings Bank, and John T. Peters, Colonial Trust Company.

—The First National Bank of Batavia, N. Y., completed fifty years of existence on June 6. In the last sixteen years, under the presidency of Samuel Parker, the deposits of the bank have more than doubled.

—A dignified-appearing structure of the "exclusively-for-banking" type is being put up by the First National Bank of Glens Falls, N. Y. It will be constructed of white granite, be thoroughly fireproof, and have the very latest equipment throughout.

—The Essex county division of the New Jersey Bankers Association, at a meeting held at Newark, June 12, unanimously approved a plan by which the Fidelity Trust Company, of Newark, will operate as branch banks five financial institutions now controlled by the Fidelity. The plan has been incorporated in a bill which will be introduced in the Legislature at the next session. The bill, if passed, will empower the Fidelity to take over the subsidiary institutions entirely and operate them as branch banks of the institution.

The banks affected are the Essex County Trust Company, of East Orange; the Union County Trust Company, of Elizabeth; the Red Bank Trust Company, of Red Bank; the Newton Trust Company, of Newton, and the New Brunswick Trust Company, of New Brunswick.

—The twentieth annual convention of the Pennsylvania Bankers Association was held at Bedford Springs, June 26 and 27.

The speakers at the opening session and their subjects were as follows: Arthur Reynolds, president American Bankers Association, "A Greeting from the American Bankers Association;" William H. Peck, president Third National Bank, Scranton, "The Analysis of a Commercial Statement," and David Barry, cashier First National Bank, Johnstown, "The Adaptability of the Banker."

At the second day's session the speakers were Parker S. Williams, of Philadelphia, who spoke of "The Banker's Interest in State Control of Public Utilities," and Elbert Hubbard, "Getting Together." There followed a debate between teams of the Philadelphia and Pittsburgh Chapters, American Institute of Banking. The subject being, "Resolved, That appropriate legislation should be enacted prohibiting any person from being an officer or director in more than one banking institution, State or National."

—Baltimore Chapter, American Institute of Banking, at its annual election, June 9, elected the following officers for the ensuing year: Albert N. Smith, president; Henry W. Franz, vice-president; C. Walter Katenkamp, secretary, and Benjamin H. Heath, treasurer.

—Results of the first sixty days' business of the Waynesboro (Pa.) Trust Company show an increase of $29,957 in deposits, to a total of $79,557. Resources of the company on June 1 were $204,872. While the above rate of growth is regarded as very satisfactory, it is expected to be greatly augmented now that the company has moved into new and larger quarters.

—The Farmers Bank, Wilmington, Del., of which the Governor of the State is president, has just laid the cornerstone of a new brick and marble building. This bank is over a century old, having been established in 1813.

—Buffalo bankers, apparently ignoring the possibility of the passage of the "interlocking directors" bill, have organized the Bankers Trust Company, with $1,000,000 capital, officers and directors to be chosen from the officers and directors of Buffalo banks.

—Following are the newly-elected officers of the New Jersey Savings Bank Association: President, Horace Stetson, Orange; vice-president, Ralph T. Crane; secretary, Howard Biddulph; executive committee, Alexander S. Ward, Henry G. Atha and John Fischer of Newark; George H. Gould, Jersey City; L. M. Codington, Somerville; William H. Yard, Trenton.

—Twelve years ago the Plainfield (N. J.) Trust Company began business, and by careful management, aided by a systematic campaign of intelligent publicity, the institution has had a remarkable growth, as evidenced by the accompanying figures:

	Surplus and profits	Deposits
June 4, 1902..........	$10,000.00	$124,635.00
June 4, 1904..........	113,530.00	1,033,175.00
June 4, 1906..........	147,509.00	1,880,616.00
June 4, 1908..........	165,484.00	1,991,719.00
June 4, 1910..........	223,881.00	2,854,652.00
June 4, 1912..........	269,838.00	4,021,865.00
June 4, 1914..........	287,043.00	5,084,254.00

In twelve years the Plainfield Trust Company has acquired the accounts of 7500 depositors and accumulated deposits of $5,000,000; it has in its custody trust funds of upwards of $1,000,000, which are kept entirely separate from its other assets; it has erected a handsome banking building and equipped it with every modern convenience; it has paid to its stockholders in dividends $46,000, the dividend rate having been increased in 1913 to twelve per cent.; it has paid its depositors in interest almost $900,000 and has added $187,043 of profits to its surplus account, which now amounts to $287,043; it has established a Christmas savings club which has been of great educational and economic value to its 7000 members; and it has endeavored at all times and under all conditions to serve its customers in such a manner that the old

JAMES H. PERKINS
PRESIDENT NEW YORK STATE BANKERS ASSOCIATION
(VICE-PRESIDENT NATIONAL CITY BANK, NEW YORK)

ones have wanted to stay with it and new ones have been attracted to it.

The success achieved would seem to establish the fact that this endeavor has been faithfully fulfilled.

—The New York State Bankers Association met in annual convention at New London, Conn., June 11 and 12, with a good attendance. President Robert H. Treman delivered the annual address, and addresses were made by Frank A. Vanderlip, president of the National City Bank, New York; Eugene L. Richards, Superintendent of the New York State Banking Department, and by Pierre Jay, vice-president Bank of Manhattan Company, New York. At the banquet on the evening of June 11, the speakers included Hon. John W. Weeks, United States Senator from Massachusetts, and Hon. Lyman J. Gage, former Secretary of the Treasury.

These officers were chosen: President, James H. Perkins, New York; vice-president, J. A. Kopfer, Buffalo; treasurer, J. H. Gregory, Rochester.

—Commemorative of its fiftieth anniversary, the First National Bank of Syracuse, N. Y., has issued a handsomely printed and bound volume giving an interesting history of the bank's organization and growth. This is one of the old and successful banks of the State of New York, and its history has been one of steady development to its present strong position. This institution is now

erecting a splendid modern building, already illustrated in the pages of THE BANKERS MAGAZINE.

—Announcement was recently made of the consolidation of the First National Bank of Red Bank, N. J., with the Red Bank Trust Company, with these officers: Newton Doremus, president; Henry Campbell vice-president; Jesse Minot, secretary and treasurer; Robt. F. Parker, assistant secretary and treasurer.

NEW ENGLAND

Boston

—On June 2 the Hibernian Savings Bank opened in its new location in the Sears Building, 201 Washington street.

—Boston bank officers held their annual meeting and banquet on the evening of May 20, over 900 members of the association being present. Secretary Edwin A. Stone's annual report showed a present membership of 1428. During the past year $2,943 was received in dues. Of the sums paid out, $4,245.50 went for relief and $4,500 in death claims, leaving a balance in the treasury of $9,285. During the existence of the association $85,935 has been paid in relief.

The nominating committee brought in the names of these officers, who were elected unanimously: President, Arthur Y. Mitchell of the Old Colony Trust Company; first vice-president, Frank B. Lawler of the Beacon Trust Company; second vice-president, Waldo F. Glidden of the American Trust Company; secretary, Edwin A. Stone of the Franklin Savings Bank; treasurer, Robert E. Hill of the Webster and Atlas National Bank; for directors for two years, Frederick C. Waite of the Merchants National Bank and William P. Hart of the Charlestown Five Cents Savings Bank; trustee for three years, Alonzo P. Weeks of the Merchants National Bank, and auditor, Earle P. Perkins of the National Security Bank.

—C. A. Ruggles, manager of the Boston Clearing-House Association, is the new president of the Boston National Bank Cashiers Association. Other officers are: Vice-President, Henry F. Smith, National Shawmut Bank; secretary, Horace F. Fuller, Second National Bank; treasurer, Walter M. Kingman, Winthrop National

Bank; membership committee--George W. Hyde, First National Bank; Herbert K. Hallett, Fourth-Atlantic National Bank; Charles H. Ramsay, Winthrop National Bank.

Mr. Ruggles was one of the organizers of the association, and has always been interested in its welfare and has been vice-president for three years.

—The Tremont Trust Company has taken a ten years' lease of the banking rooms on the first floor of the Devonshire Building, 14 and 16 State street. The incorporators include James M. W. Hall, former mayor of Cambridge; Simon Swig, Dr. Charles Fleishcher and H. E. Phipps. The bank will start with $200,000 capital and $50,000 paid-in surplus.

—An increase of the capital of the Fidelity Trust Company from $500,000 to $1,000,000 will be made, and of the surplus from $100,000 to $200,000.

—Connecticut bankers inaugurated their annual convention at the Griswold Hotel, New London, with an annual banquet on the evening of June 9, Nathan D. Prince of Danielson, vice-president of the association, acting as toastmaster. Among the speakers were Rev. E. A. Legg, Wm. E. Knox, Comptroller of the Bowery Savings Bank of New York, and T. A. Daly, the well-known poet and humorist of Philadelphia.

—The Charles River National Bank, the oldest in Cambridge, Mass., organized as a State bank in 1832 and as a national bank in 1864, has petitioned the Massachusetts Board of Bank Incorporation for a trust company charter. The present bank has $100,000 capital, which it is proposed to double if the trust company charter is granted.

—The Suffield (Conn.) Savings Bank is now installed in its new building. The building is of fireproof construction and the dimensions are twenty-eight by forty feet. It is one story high, and is built of tapestry brick, with Indiana limestone trimmings. The inside wood trimmings are of birch stained mahogany. Besides the banking room on the main floor there is a booth for patrons of the safe deposit vaults, washroom, lockers and office for the president, while in the rear over the vault is the directors' room. The banking room is lighted in the daytime from a large ornamental skylight and is also equipped with an indirect electric lighting system. The vault is fire proof and burglar proof and is equipped with the most modern protection in the way of time locks and burglar alarms. It has a 16-inch wall, lined with railroad iron and steel plate and is equipped with 216 modern safe deposit boxes. Inside the vault is a magazine steel safe. In the basement is the heating plant, storerooms and a large fireproof vault for the safe keeping of records and valuable papers.

The bank was chartered in May, 1869, on petition of Martin J. Shelden, and the first incorporate meeting was held July 1 of the same year. Samuel R. Spencer is the present president and W. J. Wilson, treasurer.

SOUTHERN STATES

—Virginia bankers held their twenty-first annual convention at the Hotel Chamberlin, Old Point Comfort, June 18, 19 and 20, J. M. Hurt, cashier of the Citizens Bank of Blackstone, presiding.

Reports were received from the various committees and groups, and the following addresses were made:

"Benefits to be Derived From the American Institute of Banking," by George H. Keesee, former president Richmond Chapter, assistant cashier Merchants National Bank, Richmond; "Banking From Two

Points of View," by Mr. H. L. Eley, assistant cashier Peoples Bank, Courtland; "Developing a Bank's Business by Advertising," by Fred W. Ellsworth, manager department of new business, Guaranty Trust Company of New York; "International Movements of Gold," by Hon. George E. Roberts, Director of the United States Mint, Washington, D. C.; "Educating the Producer," by Hon. Joseph D. Eggleston, president Virginia Polytechnic Institute, Blacksburg; "Agricultural Development and Vocational Education," by V. Vaiden, cashier First National Bank, Farmville; "Taxation and Business," by Douglas S. Freeman, the "News-Leader," Richmond.

The entertainments included a band concert by the Fort Monroe Marine Band, an informal dance and the annual banquet.

—The First National Bank of Sumter, S. C., organized in 1887, and which has had a very prosperous history, now occupies its own building, representing an outlay, including cost of site, of $56,000.

—Miss Leffler Corbitt, note teller of the Austin National Bank, was recently elected president of the Texas Women's Bankers Association.

—For the consolidated City and National banks at Wheeling, West Va., a ten-story bank and office building will be put up at Twelfth and Main streets, to cost about $250,000.

—Consolidation has been effected between the Guaranty State Bank and Trust Company and the Commonwealth National Bank of Dallas, Texas, the succeeding institution being the Security National Bank, with $1,500,000 capital, $500,000 surplus and nearly $10,000,000 total resources. Following are the officers: D. E. Waggoner, president; John W. Wright and Ralph P. Wofford, vice-presidents; Edwin Hobby, cashier; M. B. Keith, Dan D. Rogers, J. W. Royall and O. W. Shaw, assistant cashiers.

—It is reported that the Harrison County Bank, Biloxi, Miss., will consolidate with the People's Bank, the capital of the latter being increased to $75,000.

—The First National Bank of Mount Airy, N. C., will soon have one of the handsomest bank buildings in the State, having given the contract for the improvement of its present quarters. The brick front will be replaced by a handsome granite one with solid stone columns and beautiful corner arch. The interior will be made in keeping with the exterior and fitted with modern reception rooms and the latest furniture and fixtures.

—Dallas, Texas, is to have a new trust company capitalized at $1,000,000.

—L. Marshall Von Schilling, cashier of the Merchants National Bank of Hampton, Va., left May 13 for a six weeks' trip to Karlsrhue, Germany, the home of his ancestors, where he has a number of near relatives.

The trip is given Mr. Von Schilling by the stockholders of the bank, in recognition of his faithful services.

Mr. Von Schilling, besides the responsible position he holds with his bank is at the head of several other local enterprises.

—June 1 last marked the twenty-fifth anniversary of the Bank of Baton Rouge, La. In the course of a quarter of a century of existence, the same officers stand guard and do service that filled these places on the day the bank opened for business twenty-five years ago, except the promotion of the cashier to be vice-president and his assistant to be cashier. There has scarcely been a single change in the directorate except that caused by death.

The Bank of Baton Rouge, without consolidation or mergers, has grown steadily stronger and stronger, its capital, surplus and profits rising from $50,003.45 in 1889 to $429,326.47 in 1914, and deposits increasing from $10,841.51 to $1,267,665.83.

It has earned and left intact for the protection of its depositors an accumulation of capital, surplus and undivided profits exceeding that of all the other banks of Baton Rouge combined, and in addition has paid its stockholders $205,000 in dividends.

The officers identified with the bank's successful history are: Wm. J. Knox, president; Joseph Gebeline and O. B. Steele, vice-presidents; Eugene Cazedessus, cashier.

—Logan C. Murray, a former president of the American Bankers Association, and long the president of the American National Bank of Louisville, Ky., becomes chairman of the board of directors of that bank, his place as president being filled by the election of Earl S. Gwin, president of the Second National Bank, New Albany, Ind. Mr. Murray will continue to be actively associated with the American National Bank.

—Consolidation of the Maryland National Bank of Baltimore with the National Bank of Commerce is pending.

—The annual convention of the Tennessee Bankers Association was held at Chattanooga May 28 and 29. P. D. Houston, vice-

P. D. HOUSTON

VICE-PRESIDENT FIRST SAVINGS BANK AND TRUST COMPANY, NASHVILLE, TENN. NEW PRESIDENT TENNESSEE BANKERS ASSOCIATION

president of the First Savings Bank and Trust Company, Nashville, was elected president of the association.

P. D. Houston is a native Tennessean, having been born in Marshall county in that State, and has resided continuously in the State. He comes of sturdy Scotch-Irish stock, and was reared on a farm. His common school education was supplemented by a course in the Haynes-McLean Academy at Lewisburg. Upon graduation he heard the call of the commercial world, and launched into business with earnestness and enthusiasm.

In 1890 he became a clerk in the Peoples Bank at Lewisburg, where his ability was soon recognized, and promotion followed readily. In 1893 he was elevated to a cashiership with the Peoples Bank, and continued the active official of this bank until 1906, when the First National Bank of Nashville organized the First Savings Bank and Trust Company, of which he was elected cashier. In 1911 he was promoted to the vice-presidency of this institution, which position he still holds. In January of this year the First Savings Bank and Trust Company became more closely associated with the consolidated Fourth and First National Bank, and Mr. Houston was at that time elected an active vice-president of the Fourth and First National Bank, as well as becoming a director and member of its executive committee.

Mr. Houston has been for several years vice-president for Tennessee of the Savings Bank Section of the American Bankers Association. His connection with the Tennessee Bankers Association dates from the founding of the association. He has advanced in his association work from a private in the rear ranks, through the presidency of the State Bank Section, membership in and chairmanship of the executive committee, to the presidency of the association. Mr. Houston is an ardent and indefatigable worker, a banker of ability, courage and high ideals, and these qualities have given him rank as one of the foremost bankers of his State.

Mr. Houston's greatest pride is his work in connection with the New State Banking Law, to which he gave many years of thought and labor. The State Banking Department created by the last General Assembly has helped to raise the profession of banking to a high plane in the State.

—At Charleston, S. C., the Commercial National Bank succeeds the Commercial Savings Bank. A fine fireproof building was recently erected for the bank's use.

—At the convention of the Alabama Bankers Association, in session at Decatur May 14, these officers were elected: President, C. L. Comer, Eufaula; vice-president, James Keith, Anniston; secretary-treasurer, McLane Tilton, Jr., Pell City.

RICHARD S. HAWES

VICE-PRESIDENT THIRD NATIONAL BANK, ST. LOUIS, AND NEWLY-ELECTED PRESIDENT MISSOURI BANKERS ASSOCIATION

Next year's convention will be held at Birmingham.

—On June 5 the merger of the Main Street Bank, Richmond, Va., with the Broadway National Bank became effective, the succeeding institution occupying the quarters of the Main Street Bank.

WESTERN STATES

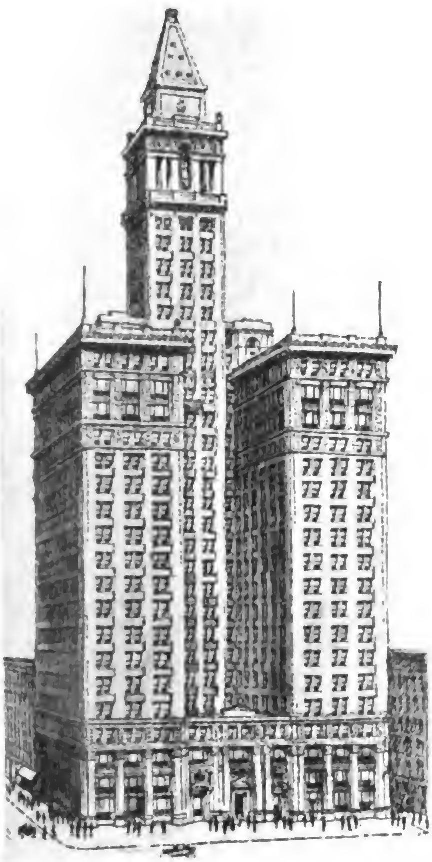
St. Louis

—At the annual election of the Bank Clerks Association of Missouri the following were elected to the board of management: F. Falkenhainer, Mechanics-American National Bank; J. F. Ashoff, State National; F. W. Wrieden, National Bank of Commerce; Hugo Boehl, German Savings; H. Haill, Third National; H. A. Bridges, Boatmen's; L. S. Kohlbry, German-American; H. S. Rein, Wernse & Dieckman; A. Hamilton, St. Louis Union Trust Company; E. E. Braun, National Bank of Commerce, and H. J. Brenner, International Bank.

—It is said that the recent three days' session of the Missouri Bankers Association in this city was the largest convention ever held in the history of the association. The various addresses dealt with questions of practical interest to bankers, and the entertainments were up to the well-known standard of St. Louis hospitality.

Richard S. Hawes, vice-president of the Third National Bank of St. Louis, was elected president of the association, and W. C. Gordon, of Marshall, was elected vice-president. W. F. Keyser of Sedalia, the efficient secretary for a number of years, was re-elected to that position. Kansas City will have the honor and pleasure of entertaining the convention next year.

—A lease of the ground floor of the new Monward Building, northeast corner of Broadway and Olive street, has been signed by the Boatmens Bank, whose building was damaged seriously by fire last spring. Under the terms of the lease the name of the structure to be occupied by the bank will be changed to the Boatmen's Bank Building. The bank expects to occupy the new quarters about September 1.



NEW HOME OF THE BOATMEN'S BANK, ST. LOUIS, MO.

The Boatmen's is the oldest bank in Missouri, and was organized in 1847 on the savings plan, without capital, under the name of the Boatmen's Savings Institution, at a time when the river traffic was at its height, in order to furnish banking facilities to the rivermen. The bank was reorganized in 1856 with a capital of $40,000.

In 1873 a stock dividend of $1,600,000 was declared out of earnings, and the bank was reorganized as the Boatmen's Savings Bank, with a capital of $2,000,000. In 1890 the name was changed to the Boatmen's Bank. The present capital, surplus and undivided profits are $3,300,000, all of which has been earned, except $400,000, which was subscribed.

A. L. Milles was the first president, and was followed by Sullivan Blood and Rufus J. Lackland, who remained president from 1871 to the time of his death in 1910, when he was succeeded by Edwards Whitaker.

This bank has never consolidated with, bought out or absorbed any other bank or financial institution. Many distinguished citizens of the city have been connected with the bank as trustees and directors, such as Samuel C. Davis, Luther M. Kennet, Daniel D. Page, Amedee Vale, John O'Fallon, Andrew Christy, Ed Walsh, D. A. January, Charles P. Chouteau, William L. Ewing and Wayman Crow.

The present board of directors is composed of Murray Carleton, Clarence H. Howard, D. S. H. Smith, Sam D. Capen, F. E. Sheldon, Henry W. Peters, W. K. Stanard, Edwards Whitaker, Wm. H. Thomson, E. M. Hubbard and S. W. Fordyce.

—The Farmers and Merchants Trust Company is now located in its new home, Grand and Gravois avenues. F. W. Clemens, heretofore vice-president, was recently elected president to succeed the late J. Herman Belz, and Dr. F. B. Drescher was elected a vice-president.

Chicago

—Two of Chicago's leading bankers, Geo. M. Reynolds, president of the Continental and Commercial National Bank, and Jas. B. Forgan, president of the First National Bank, are practically sure of election as directors of the new Federal Reserve Bank here.

—The recent Lorimer bank failure and the subsequent collapse of several small outlying banks in nowise reflects the general banking position in Chicago, which is strong. The La Salle Street Trust and Savings Bank was not a member of the Chicago Clearing House Association.

—Lansing, Michigan, banks are to try the experiment of closing at noon on Saturdays and open in the evening from 7 to 8.

—A plan for a municipal savings bank has been presented to the city commissioners of Denver.

—H. B. McDaniel, president of the Union National Bank, Springfield, Mo., was recently elected a member of the executive council of the American Bankers Association.

—Illustrations of the new United States National Bank Building, Omaha, now in construction at the northeast corner of Sixteenth and Farnam streets, show a very imposing structure of the classic type. The building will be four stories, with polished granite and marble facings, and will be for the exclusive use of the bank, except that Gordon W. Wattles, vice-president and president of the Omaha and Council Bluffs Railway, will have his private office in the new building. The bank's staff will have a restaurant on the fourth floor.

—Toledo, Ohio, Chapter of the American Institute of Banking has elected these new officers: President, Henry A. Niehaus; vice-president, Carl H. Vischer; secretary, John H. Streicher; treasurer, Lester V. Martin. Five delegates to represent the institute at the convention of the American Institute of Banking at Dallas, Texas, next September, are Henry A. Niehaus, John H. Streicher, Leo E. Mominee, Elmer E. Hartz and Lester V. Martin.

NEW BUILDING OF THE FIRST NATIONAL BANK, ST. PAUL, MINN.

—Detroit chapter, American Institute of Banking, has elected the following officers: President, Jos. J. McGrath; vice-president, A. J. Stocker; treasurer, Earl W. Alles; recording secretary, Leo D. Heaphy; corresponding secretary, Fred D. Greig.

Members of the board of governors were elected as follows: J. W. Baldwin, Eugene Flemming, James Harper, Frank Maurice, Henry J. Bridgman, S. J. Giffin, L. C. McConnell, George D. Smith.

—Control of the Des Moines (Iowa) Trust Company has been acquired by A. C. Miller and associates, and Mr. Miller becomes president and F. C. Waterbury, vice-president.

—The First National Bank of St. Paul, Minn., which is the oldest bank in the State, is now erecting a large bank and office building, an illustration of which is shown above.

—A new building, twelve stories in height, sixty-five by fifty feet, will be erected for the Leavitt & Johnson National Bank, Waterloo, Iowa.

—The National Bank of Commerce, St. Paul, Minn., which began business last January, will put up a two-story building, with a frontage of fifty feet on Minnesota street and eighty feet on Fifth street, the building to be for the bank's exclusive use.

—The Kansas Bankers Association, at their recent annual convention at Wichita, adopted these resolutions:

Resolved, That for the purpose of harmonizing the state banking laws with the Federal Reserve Act, we recommend that the state banking laws be amended at the next session of the Kansas legislature as follows:

First—So that state banks may legally

become stockholders in the Federal Reserve Bank and hold such stock as an asset of the bank.

Second—That the reserve requirements for state banks be reduced in harmony with the Federal law and,

Third—That the state banks be granted the right to act as trustee, executor, administrator and registrar of stocks and bonds as national banks now are authorized to act under Federal laws.

Wheresa, the Federal Reserve Act provides that "any national banking association not situated in a central reserve city may make loans secured by improved and unimproved farm land situated within its Federal Reserve district, but no such loans shall be made for a longer time than five years, nor for an amount exceeding 50 per cent. of the actual value of the property offered as security. Any such bank may make such loans in an aggregate sum equal to twenty-five per cent. of its capital and surplus, or to one-third of its time deposits, and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same," and,

Whereas, The Comptroller of the Currency has by circular letter, dated April 15, 1914, made a ruling that "the total of such loans by any bank must not exceed one-third of its time deposits, or must in no case exceed one-fourth of the capital and surplus of the bank"; and,

Whereas, It appears to this association that the ruling is in conflict with the law and limits the loaning bank to but one-fourth of its capital and surplus in such loans; and,

Whereas, The banking business of Kansas is largely based upon our agricultural and land values, and it has been recognized that the new Reserve law allowing a reasonable amount to be loaned on first-class farms is a beneficent one; therefore, be it

Resolved, That the secretary of this association be instructed to correspond with the honorable Comptroller of the Currency and ask him that his ruling may be modified so that national banks which are members under the National Reserve Act may make farm loans up to one-third of their time deposits, and one-fourth of their capital and surplus.

Resolved, That every member of this association be requested to write or wire his member of Congress and senator, requesting the passage of Senator Bristow's bill retaining postal saving funds in both state and national banks in the location where postal funds are deposited, and protesting against the passage of the bill raising the limit of the amount that may be deposited in the postal savings bank, now pending in the Senate.

Resolved, That we appreciate the Federal Reserve Act and think it is in right direction for the best monetary system in existence, and that we are very thankful to the committee for locating a reserve bank in Kansas City, Mo., and are sure it will prove to them that they made no mistake as being the most central and logical point for trade and commerce.

Officers elected are: President, E. E. Mullaney, Hill City; vice-president, C. E. Lobell, Larned; treasurer, Fred H. Quincy, Salina; vice-president, Group I., L. D. Allen, Seneca; vice-president, Group II., W. J. Rhodes, Olathe; vice-president, Group III., R. H. Muzzy, Coffeyville; vice-president, Group IV., J. E. Gleason, Norton; vice-president, Group V., Thomas Atkinson, Sterling; vice-president, Group VI., A. E. Johnson, Greensburg.

The twenty-eighth annual convention will meet at Independence.

—At the eighteenth annual convention of the Oklahoma Bankers Association in session at Oklahoma City, May 16, resolutions were adopted in favor of making the entire State of Oklahoma a part of Federal Reserve District No. 10 (Kansas City district). These officers of the association were chosen: President, H. M. Spaulding of Enid; first vice-president, Tom Dwyer of Chickasha; second vice-president, H. A. McCauly of Sapulpa; secretary, W. B. Harrison of Oklahoma City; treasurer, J. W. Teter of Bristow; chairman of executive committee, L. E. Phillips of Bartlesville; member agricultural committee, Harold Wallace of Ardmore.

—Work is progressing on the new and substantial building being erected by the German-American National Bank of Peoria, Ill.

—Detroit bankers have a club, and its thirty-third semi-annual dinner took place last month, President Richard P. Joy of the National Bank of Commerce presiding. At the speakers' table were W. P. Holliday, Charles A. Dean, George E. Lawson, William Livingstone, Emory W. Clark, John Kendrick Bangs, Richard P. Joy, Rev. William F. Dooley, Charles F. Collins, George H. Russel, John H. Johnson, George H. Barbour, William J. Gray and Julius H. Haass.

These new members were elected: James Craig, Jr., and J. H. Emmert, directors First and Old Detroit National Bank; Paul H. Deming, vice-president American State Bank; Thomas A. Gale, manager Dominion Bank, Walkerville, Ont.; A. I. Lewis, director Detroit Trust Co.; H. G. Hayes, cashier Hastings National, Hastings; Frank H. Carroll, president First Commercial Bank, Pontiac; John H. Patterson, director First Commercial Bank, Pontiac; E. G. Liebold, director Dearborn State Bank, Dearborn, and F. M. Scarff, manager Merchants Bank of Canada, Windsor.

—The Merchants National Bank is reported in process of organization at Detroit with $1,000,000 capital.

PACIFIC STATES

—It is stated that a new trust company will be organized at Fresno, California, with $2,500,000 capital, and occupying its own building, to be erected on a site already secured.

—Seattle will make a strong bid for the convention of the American Bankers Association in 1915. It is conceded that the city is one of the most attractive and interesting in the country and that the hotel accommodations are abundant. If the convention goes to Seattle, the local bankers and the people generally will give it a royal welcome.

—Jacob Furth, for more than thirty years a resident of Seattle, and a leading banker and capitalist, died June 2. He was one

of the organizers of the Seattle Clearing House Association, was interested in a number of banks, and chairman of the board of directors of the Seattle National Bank. His services to his city and State made him one of Seattle's foremost citizens.

—Los Angeles is to have a new bank—the Kaspare Cohn Commercial and Savings Bank—with $300,000 capital.

—Nevada bankers held their sixth annual convention at Reno June 2 and elected the following officers: President, A. E. Kimball, Elko; vice-president, C. W. Foote, Fallon; secretary, J. W. Davey, Reno; treasurer, J. T. Goodin, Lovelocks; executive committee, J. Henderson, Elko, and F. M. Lee, Reno; vice-president of American Bankers Association for Nevada, Geo. Wingfield.

—Alterations in the banking rooms of the Bank of Commerce and Trust Company, San Diego, Cal., are being made to provide the additional space consequent upon the growth of business since the institution established a trust department.

—An important bank merger has been effected at Pasadena, Cal., by which the Pasadena National Bank, Crown City National Bank, Crown City Savings and Trust Company and the National Bank of Commerce have been combined as the Pasadena National Bank, although the Crown City Savings and Trust Co. will continue to occupy its present location.

—Addressing the California Bankers Association, in session for their annual convention at Oakland, May 27, President L. P. Behrens decried American extravagance and the tendency to run in debt.

"Each community," he said, "seems to be vying with the other to see which can build up the biggest debt. Some day payment must be made and then the trouble will begin.

"The American people dislike to be told that they are not thrifty, but they are thriftless in the extreme. They know how to make money, but they do not know how to spend it or save it. Too much is spent in senseless pleasure. There is no doubt that a billion dollars is so spent in the United States every year. This is threatening the financial prosperity of the land."

Resolutions were adopted favoring the election of James K. Lynch, vice-president of the First National Bank of San Francisco as first vice-president of the Ameri-

can Bankers Association at the Richmond convention.

A portrait of R. M. Welch, the new president of the California Bankers Association was presented in the June number of THE BANKERS MAGAZINE.

CANADIAN NOTES

—Profits amounting to $319,902, the highest in the history of the institution and equal to 15.99 per cent. on capital, constituted the chief point of interest in the annual statement of La Banque Nationale made public recently, as compared with $302,305 in the previous year. A balance of $74,396 was brought forward from last year. Dividends at eight per cent. were paid to the amount of $160,000 and $150,000 carried to reserve. The sum of $10,000 was contributed to officers' pension fund, and $12,000 set aside for the account of opening new branches, an item that in most cases is not taken out of profits, except under the head of expenses of management. A balance of $62,299 was carried forward.

—Reserves maintained at an excellently high level and funds employed at a profitable rate is the record of the Merchants Bank as set forth in the annual report recently handed to the shareholders. Profits of the bank for the year amounted to $1,-218,694, which were at the rate of 17.7 per cent. on the average capital employed. In point of amount the earnings of the year just ended have only been exceeded once in the history of the bank, namely in the year 1912. Earnings on the total capital employed, that is, upon the average capital plus the reserve and balance at the credit of profit and loss, were at the rate of 8.9 per cent.

The usual dividends at the rate of ten per cent. were paid to the amount of $686,-574. The sum of $400,000 was transferred from profits to reserve. In addition the premiums on new stock to the amount of $180,825 were added to reserve, bringing that account up to $7,000,000, being equal to the paid-up capital.

The sum of $100,000 was written off bank premises; $50,000 was contributed to officers' pension and $135,000 written off for depreciation of securities held. A balance of $248,134 was carried forward.

—Profits of the Bank of Montreal for the six months covered by its recent report

were $1,212,750, out of which the usual dividend was paid and $200,000 written off of bank premises account.

—The Rosetown (Sask.) branch of the Quebec branch has been closed.

—Canada is now a "billion-dollar country," its aggregate imports and exports of merchandise in 1913 having been 1095 million dollars, against 977 million in 1912. Its trade has, however, undergone some contraction in more recent months, a fact which is clearly reflected in the official statistics of merchandise moving between Canada and the United States during April, compiled by the Bureau of Foreign and Domestic Commerce, Department of Commerce.

In the calendar year 1913 Canada's imports of merchandise were 659 million dollars in value, while her exports were 436 million, imports thus averaging fifty-five million and exports thirty-six million dollars per month. Canadian imports, however, are sharply declining from month to month.

American goods represented, in the fiscal year 1913, sixty-five per cent. of the entire imports of Canada, while the markets of the United States absorbed 39½ per cent. of the Canadian products sold in foreign countries.

New Counterfeit $5 National Bank Note on the First National Bank of Plattsburg, Mo.

SERIES 1902-1908; check letter "C"; W. T. Vernon, Register of the Treasury; Lee McClung, Treasurer of the United States; portrait of Benjamin Harrison.

This counterfeit is printed from photo-etched plates on paper of fair quality, which contains no silk threads nor imitation of them. The correct charter number of the bank which appears in the border of face of note, is 4,215; the charter number printed in large blue figures in two places on face of note is 10,281; the Treasury number is P16247A; the bank number is 16,247. In all these blue numbers the figures are too widely separated and are not as heavy as the genuine.

The portrait of Benjamin Harrison is poorly executed and the lathe work, particularly on the back, is not well defined.

It Can Be Done

Somebody said that it couldn't be done,
But he, with a chuckle, replied,
That "maybe it couldn't," but he wouldn't be one
Who would say so till he'd tried.
So he buckled right in with a trace of a grin
On his face. If he worried he hid it.
He started to sing, as he tackled the thing,
That couldn't be done,—and he did it.

Somebody scoffed: "Oh, you'll never do that,
At least no one has ever done it,"
But he took off his coat, and he took off his hat
And the first thing we knew he'd begun it.
With the lift of his chin and a bit of a grin,
Without any doubting or quibble,
He started to sing, as he tackled the thing
That couldn't be done, and he did it.

There are thousands to tell you it couldn't be done,
There are thousands to prophesy failure;
There are thousands to point out to you one by one,
The dangers that wait to assail you.
But just buckle in with a bit of a grin,
Then take off your coat and go to it;
Just start in to sing as you tackle the thing
That "cannot be done" and you'll do it.

THE BANK MAN, *Chicago.*

THE
BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

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The Seven Wise Men of Finance

There never did exist on this earth a body of men wise enough to determine by any arbitrary rule how much currency is needed for the business of a great nation.—JAMES A. GARFIELD.

THIS is but a small part of the impossible task that will devolve upon the members of the new Federal Reserve Board. Assuming that the Senate will confirm the nominations made by the President, the Board will be thus composed:

Charles S. Hamlin, Boston (two years); Paul M. Warburg, New York (four years); Thomas D. Jones, Chicago (six years); W. P. G. Harding, Birmingham (eight years); A. C. Miller, San Francisco (ten years); William G. McAdoo, Secretary of the Treasury, and John Skelton Williams, Comptroller of the Currency, members ex-officio.

Allowing for all the magic which from time immemorial has attached to the number seven, these gentlemen have undertaken a hard job. They will need all the support which the banks and the public can give. This support should not be lacking, for it would be of vast benefit to banking, to general business, to everybody, could our banking and financial system be placed upon a solid and orderly basis.

Grave misgivings exist in many minds as to the efficacy of the new law; but if given a fair trial, it can then be determined whether the law is practicable or not—whether its defects, if there are any, can be cured by amendment, or whether the whole law will have to be repealed and a new measure devised.

If the law proves the great success its friends hope for, why should everybody not be satisfied?

THE composition of the Board does not represent the really great names in American banking, commerce or industry: yet it is a fair, average group of men, combining banking experience and legal and economic knowledge. Three representatives from the Treasury Department will assure careful regard of administrative details and due consideration of the public welfare. Mr. Warburg and Mr. Harding are able and experienced bankers—the first-named coming from a large city, and the latter from a smaller city. Thus it may be said that both metropolitan and country banks are fairly represented by these two gentlemen. Mr. Jones is a lawyer, and his advice will no doubt be of great service in considering the numerous and intricate legal questions that will arise in the course of inaugurating and administering the new law. Mr. Miller represents the economic side of the problem.

Thus the Board is well-balanced, and perhaps it is just as well that the conspicuously great bankers and captains of industry have no place on the Board, for the Federal Reserve Act aimed, ostensibly, to cut loose from such affiliations.

The Federal Reserve Act will be set in motion by an Administration eager for its success and will have all the support that such tremendous official power can afford. The bankers of the country have also shown a disposition to coöperate with the Government to the fullest extent possible. So that should the law not prove workable it will be due to inherent defects in the measure itself and not to lack of support from the Government, the banks and the public generally.

COMEDY of the high type has intruded itself into the making up of the new Federal Reserve Board. Up to a day or so prior to the time the latest names were announced, it was expected that Mr. E. C. Simmons of St. Louis would be one of the nominees. Just about this time the name of Mr. Simmons appeared upon some letters setting forth the idea that the present programme of anti-trust legislation which the Administration seems bound on forcing through Congress was injurious to the business of the country. Then the name of Mr. Simmons was dropped. Mr. Simmons has stated, however, that his declination of membership on the Federal Reserve Board antedated by at least one day his expression of views in regard to anti-trust legislation.

Possibly, by that strange psychological influence which, according to high official authority, is now so potent, advance intimation was conveyed to Washington of the views which Mr. Simmons entertained.

The expression of business men's views on matters of legisla-

tion affecting business come dangerously near "conspiracy," and such expressions are clearly incompatible with the "new freedom."

Mr. Simmons is a man of wide and eminently successful business experience, personally one of the most agreeable of men, and his appointment would have been received everywhere with intense satisfaction. The reasons he gave for declining the honor tendered him were advanced age and not very robust health.

THEN there is Mr. Jones of Chicago. He is a director of the International Harvester Company. Now, how could anybody reconcile such an appointment with the Administration's desire to set credit free from the thralldom of big financial interests? Wait a bit, and see.

President Wilson shrewdly anticipated the criticisms that this appointment would arouse, and in the endeavor to forestall them he wrote a letter to Senator Owen, Chairman of the Banking and Currency Committee, explaining that Mr. Jones' connection with the International Harvester Company was purely in the capacity of a reformer. He held but a modest amount of the company's stock and went on the board of directors to watch over the interests of the public and to see that the people were not gouged by a soulless corporation.

This explanation seemed plausible and would have been accepted had it not been so speedily challenged by one with inside knowledge of the facts.

The man who wickedly upset this beautiful story—which sounds like something from the Sunday school books—is George W. Perkins, a director and one of the organizers of the International Harvester Company. He has issued a statement asseverating that Mr. Jones has not essayed the role of a reformer in the board of directors of the International Harvester Company, but that he has been a participant in the establishment of the policy by which the company has been guided. Mr. Perkins asserts that this policy has been fair to employees and to the public.

If this contention be true, and Mr. Jones is really not the reformer that President Wilson describes him to be, the conclusion one must inevitably reach is that big business itself lacks some if not all of the blackness with which it has been painted by overzealous public officials.

THESE little occurrences, which we have faithfully and impartially chronicled, teach us to expect that when the gaiety of nations threatens to be temporarily eclipsed, comes some solemn

man, unduly weighted with the magnitude of the responsibility for the time being imposed upon him, and does something to restore our trust in the joyousness of the universe.

To those versed in the abstruse ramifications of psychology we venture to address the inquiry if the happening of these events at a time when the mercury is going up is an effect related to an antecedent cause or merely one of those numerous coincidences which frequently lead mankind to make rash deductions?

BANK MERGERS AND BANK DEPOSITORS

WHEN the managers of a bank, either under the pressure of necessity or from a deliberate conclusion that such a course is best, decide to merge their bank with some other institution, the whole transaction is generally carried out without so much as saying "by your leave" to the depositors.

And yet the depositors in any bank are a more important group than the officers, the directors or the shareholders. They not only vastly outnumber any one of these groups, but all of them put together. Furthermore, their stake in the bank from a money point of view is immensely greater than that of the officers, directors and shareholders.

Of course, it will be said that the officers, being the responsible persons in charge, have the authority to arrange such mergers, subject to the ratification of the directors and shareholders, and no doubt it will be claimed also that the interests of depositors are carefully considered.

But in all this supposedly elaborate provision for the interests of depositors the depositor himself has no voice. It is his business to furnish a large part of the funds to run the banks, and the banks assume the right to do about as they please with the depositor and his money.

When a merger takes place, the depositor in the absorbed bank gets a neatly-printed notice telling him that the merger has been effected, and that he will be sure of the same attention to his requirements as heretofore. He even gets the assurance that he will find at the absorbing bank the same officers with whom he has been accustomed to deal.

All this sounds well enough, but what are the realities?

In the first place, when a merger occurs, the depositor finds often that he has been shifted to another neighborhood, probably less convenient to him; he is also brought into a new environment—possibly gorgeously furnished banking rooms instead of the modest

quarters where he had been in the habit of transacting his business and where he had come to feel thoroughly at home. He looks about for the familiar faces, and may find some of them, but somehow they do not wear the old cheerful and friendly look. It is not long until he discovers that the men with whom he formerly did business have been reduced to the performance of perfunctory duties, and their real power as factors in the bank's management has disappeared.

There are exceptions to the picture painted above, but it is generally correct, for the officers of a bank that is absorbed rarely "cut much ice" in the management of the bank that takes them over.

We repeat that there are but few shareholders in banks compared with the number of depositors, and that the amount of capital is insignificant contrasted with the deposits. Yet banks are liquidated, sold out, merged—what you will—without asking the depositor's consent or opinion in a matter which vitally concerns him.

The bank examiner can really have very little knowledge as to the wishes of depositors in such matters.

It is obvious that in many instances it would be impracticable to consult the wishes of the depositors, for such a course would very likely tend to defeat any merger plans that might be contemplated or even imperil the continued existence of the bank by a sudden run upon it.

Yet, when all is said, it seems anomalous that the depositor, who is really the backbone of the banks, should be treated so brusquely in this matter.

BANKING CONNECTIONS NOT EASILY SEVERED

AS the relations which individuals, corporations and firms sustain to their respective local banks are not ordinarily changed without good reason, so the relations that have been built up between banks and their correspondents are not to be given up lightly. In time a banker comes to sustain toward his patrons a relation hardly less close and confidential than that of the family lawyer, doctor or minister. To break off such an intimate and mutually beneficial relation without good cause does not accord with the usual course of things, and is, moreover, not profitable.

The idea that the new Federal Reserve Act will seriously interfere with the banking connections which many so-called "country

banks" have established and long maintained has perhaps gained wider credence than the facts warrant.

Some interesting observations on this important subject were made by Mr. Stoddard Jess, vice-president of the First National Bank, Los Angeles, Cal., in an address before the recent annual convention of the California Bankers Association. Mr. Jess said:

"Until such time as the country banks have provided themselves with a character of paper, acceptable to the Federal Reserve Banks for rediscounting, they will undoubtedly find it convenient to borrow of their city correspondents, as in the past, and realizing that the liberality shown by their city correspondents, in making them loans, will be proportionate to the balances carried, they will be inclined to carry as liberal balances as conditions will permit.

"Again, the personal equation, existing between the country banker and his city correspondent to a degree that can hardly be expected to exist with the manager of the Federal Reserve Bank, is another potent reason why he will be disinclined to sever his existing relations with his city correspondent."

For a long time at least the smaller banks will look upon the Federal Reserve Banks as strangers in the banking field, and there will probably be no hurry on the part of the numerous banks in each district to do business with them. It is a fair assumption, anyway, that the business done with the Federal Reserve Banks for a good while will be chiefly that which, under the law, cannot be done with other banks.

The outlook for a continuance of long-established banking relations, even after the new law gets fairly into operation, seems to be hopeful.

THE EXPORTATION OF GOLD

GOLD exports for the first half of the calendar year 1914 have been heavy, though there is no warrant for believing that when the figures are cast up at the end of the year they will show an unprecedented amount of net exports, or that the net movement will have been such as to excite concern, much less alarm.

The reasons for the large outflow of gold are not far to seek. If the balance of payments (not of trade, as represented by movements of merchandise) which must be made by the United States on account of its European commerce cannot be discharged by the shipment of securities, then gold must go. There are, of course, some special reasons why gold has gone abroad in a heavy

stream during the first half of 1914. Modifications in our tariff have, for the time being at least, reduced exports and increased imports, thus making our European credit balance considerably less; a recession in business here has diminished the demand for money and credit; a large French loan has added to the demand for cash abroad; finally, the United States is a large producer of gold, with an abundant supply in the banks and the Treasury, and can very well spare the amount that has thus far gone abroad.

But the loss of gold serves to call attention to a weak phase of our currency system. Gold is the only element in our currency supply that can be reduced, the volume of silver, "greenbacks" and (practically) of national bank notes being fixed at an invariable figure. The bank notes, based upon the Government debt, may fluctuate a little within a year, but the fluctuation is trifling. If the paper "money" contracted automatically with the recession of business, the exportation of gold would be somewhat delayed and no doubt considerably reduced in volume. Theoretically and practically the least substantial part of the currency structure should be first curtailed; but that is not the process under our present system. And we greatly fear that the new banking law is going to add a vast sum of paper "money" to the huge volume already outstanding.

THE FEDERAL RESERVE ACT IN THEORY AND IN PRACTICE

THAT the new Federal Reserve Act is a fine thing theoretically is something of which friends of the measure are firmly convinced. The chief sponsor for the law, President Wilson, speaking before a gathering of Virginia editors on June 25, presented this theoretical view in these words:

"Then came the currency reform. You remember with what resistance, with what criticism, with what systematic holding back, a large body of bankers in this country met the proposals of that reform, and you know how, immediately after its passage, they recognized its benefit and its beneficence, and how ever since the passage of that reform bankers throughout the United States have been congratulating themselves that it was possible to carry out this great reform upon sensible and solid lines."

President Wilson's statement that "bankers throughout the United States have been congratulating themselves that it was

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possible to carry out this great reform upon sensible and solid lines," is subject, we think, to important qualifications. No doubt the bankers are earnestly striving to coöperate with the Government in making the law a success, but probably the majority of the bankers regard the new law as revolutionary and are apprehensive of its results. That some provisions of the law are not based "upon sensible and solid lines," but are radically unsound and dangerous is undoubtedly the view of every banker in the United States whose opinion carries any weight whatever.

BUT let us turn from these theoretical considerations of the Federal Reserve Act to an examination of one of its practical consequences.

Explaining the cause of the recent great Claflin failure in New York, a high financial authority said:

* * * * * * * *.

"The second primary reason for the failure appeared shortly after the passage of the Federal Reserve Act, when there was a sudden let-up in the demand for the Claflin paper.

"It came at a time when the outstanding volume of commercial paper was abnormally large. Because of this Mr. Claflin was unable to finance the old paper with new. People who had been buying Claflin paper stopped, particularly in Philadelphia. The uncertainty as to how this paper would be taken up in view of the reduction in bank reserves called for by the Federal Reserve Act stopped the purchases of the Claflin Company."

Here is a practical illustration of the way the Federal Reserve Act is affecting business, even before it gets into actual operation, and this leaf from the book of experience contains more valuable instruction than a whole volume of theory by President Wilson or anyone else.

The banks of the central reserve cities, and those of the reserve cities, are called upon to make a transfer of their reserve funds from the cities and banks where they have been employed for many years, under the management of skilled bankers, to twelve new banks under the supreme domination of a politically-controlled Federal Reserve Board at Washington.

Now, to make these transfers of funds, with the dislocation of credits the action entails, will necessitate borrowing of the Federal Reserve Banks through the rediscount of commercial paper. Absence of a specific definition of what the Federal Reserve Board at Washington will regard as "commercial paper" has caused uncer-

tainty among the banks, and was undoubtedly a contributory cause of the Claflin failure.

President Wilson's theory about the Federal Reserve Act sounds very beautiful. But the facts look somewhat ugly. And it is a condition, not a theory, that confronts us now.

ONE phase of the Claflin failure should not be overlooked—the punishment which the Federal Reserve Act designed to inflict upon the New York banks cannot be localized. A catastrophe of this magnitude extends to almost every part of the United States.

The reserve and central reserve city banks are the great central reservoirs of the country's credit, furnishing a stream of credit whose refreshing and stimulating effects flow into myriad channels of commerce and industry throughout every section of the Union, and reaching into the remotest hamlets, the most isolated country districts. The prosperity of each of these remote sections is the only sure guaranty of the prosperity of the larger centers; and, conversely, the prosperity of the latter extends to the outlying districts. Neither the great cities nor the far-distant farms can be harmed or benefited without the result being felt by both.

AMERICAN BANK GOING INTO THE LATIN-AMERICAN FIELD

ONE of the most significant announcements recently made by an American bank was the declaration of the National City Bank of New York, on July 1, of its intention to establish branches at Rio de Janeiro, Brazil, and Buenos Aires, Argentina.

This action of the largest and most powerful banking institution of the United States is sure to have an important effect in extending American commerce with our southern neighbors, and will also add to the commercial and financial prestige of our country in Latin America.

That American banking institutions established in Latin America will be of great service to our manufacturers is the opinion of those who have given most careful study to the subject and who have investigated the matter by making actual observations. The action of the National City Bank, taken only after the most careful investigation, is a practical answer to the few who may have doubted whether there was any real necessity for the extension of

American banking facilities in the direction indicated. That this action will be both beneficial to our trade and profitable from the banking standpoint can hardly be questioned. It means not only better banking facilities for our importers and exporters, but also better knowledge of credits and general trade conditions in Latin America, for it is part of the National City Bank's plan to collect information in regard to these matters, and to place this information at the disposal of our manufacturers and merchants.

It is fortunate that the first bank to go into South America under the terms of the Federal Reserve Act permitting national banks to establish branches abroad should be an institution of sufficient magnitude to deal effectively with the problems involved and by its strength to reflect credit upon our banking standards.

This MAGAZINE has long and persistently urged that our laws be so shaped as to permit American banks of large capital to operate abroad, and we can but feel the greatest satisfaction that the law has been finally amended so as to make this possible and that the first steps have been taken to give actual effect to this important departure in American banking policy.

NEW SOURCES OF PROFIT FOR NATIONAL BANKS

SPECIFIC recognition is given in the New Federal Reserve Act to savings departments in national banks; and, what is of greater importance, the reserves which must be held against time deposits are much reduced. Formerly the "country" banks were required to have fifteen per cent. of all their deposits as reserves, but under the new law they are required to have only twelve per cent. of demand deposits and five per cent. of time deposits, this latter term being construed to mean deposits payable after thirty days.

This provision is one of great importance, and will enable the national banks actively to enter into competition for savings accounts. By requiring thirty days' notice on at least a considerable portion of these accounts, a bank can materially reduce its reserve requirements.

It will be readily seen that the provision referred to tends to place the national banks more nearly on an equality with the State and savings banks in the matter of competing for savings accounts.

But the national banks are now given another privilege not heretofore possessed, and one of enormous importance. Reference is made to the right of making loans on farm lands. This right is

conferred upon all national banks except those located in central reserve cities. Lack of this power has measurably interfered with the national banks in competition for business in the agricultural sections of the country.

Whatever objection may be urged against the national banks engaging in the farm loan business, this objection will certainly not have any practical force if the loans are confined to the savings deposits. Indeed, this change in the law creates a natural and desirable means of investing at least a good portion of such funds.

The Federal Reserve Board is also authorized to grant national banks the right to act as trustee, executor, administrator or registrar of stocks and bonds, thus conferring upon the national banks the principal functions of a trust company.

National bank officers will find it to their advantage to make a careful examination of these provisions of the Federal Reserve Act, for they confer greatly enlarged powers upon the national banks with possibilities of additional business and profits.

NEW KIND OF PAPER CURRENCY

ALTHOUGH this country already has a greater variety of paper currency than any nation on earth, we are to have still another kind when the new Federal Reserve Act gets going. The new currency, it is said, will bear on its face the likeness of Cleveland, Jackson, Lincoln and Grant, also scenes depicting agriculture, commerce and manufacturing. Wall Street will not be represented.

There is said to be half a billion of Aldrich-Vreeland notes piled up in the Treasury vaults which the banks never asked for, because the currency was so costly the banks could not afford to use it. The new form of notes will be less expensive, and they may in time come to be employed to a large extent.

If an ideal system of currency could ever be attained, we should probably be able to get along with two kinds of paper—gold certificates and bank notes. No substantial reason exists for the perpetuation of our present diverse kinds of "money."

Bank Acceptances and Re-Discounts—A Comparison Between the Federal Reserve System and English Methods

By W. F. SPALDING, Certificated Associate of the Institute of Bankers, London, and Fellow of the Royal Economic Society

THE object of the present article is in no sense an attempt to analyze, criticize or condemn any part or parcel of the excellent and comprehensive banking measure recently adopted by the United States; rather it is a comparative discussion on the system of accepting and rediscounting commercial paper to be evolved from the present currency laws.

Many people on this side of the water made a brief examination of the act. and summed up the conditions in the grandiloquent phrase, "Oh, yes! it's all right, and will make for the two principal essentials in any form of currency—elasticity and stability"; they were content to leave it at that; the more earnest bankers and economists delved deeper and have, since the inception of the Federal Reserve and National Bank Acts, been keenly interested in all that pertains to the creation of discountable paper. With an Englishman's lights the provisions seem good; they are equitable and well-drawn up, and the impetus which will be given to the negotiation of bills of exchange should do much to further the extension of those credit facilities which have sometimes been lacking in America.

Ability to procure accommodation at reasonable rates will obviously make for the betterment of the American trading and mercantile community; but what is even more satisfactory to note is that due regard has been paid to the monetary requirements of the agriculturists—a form of finance the lack of which is painfully felt by the British agricultural class.

To bankers the creation of these bills of exchange will doubtless be welcomed as forming a desirable investment for floating surpluses, and bill portfolios may very soon replace the wads of securities, said to be held by banking houses in the United States as the result of stock and share operations which, rightly or wrongly, we in England believe to be neither safe nor proper for our banks and finance houses.

It may be that in our desire to maintain unimpaired our credit by holding aloof from speculative operations, so-called, we have erred too much on the side of caution, since there is now said to be a scarcity of good bills on the London market, and most of our great banks hold fewer bills in proportion to their other assets than was the case a few years ago. In a measure this is due to the amalgamation of existing banking interests, the small concerns have gradually but surely been squeezed out and in their place reign the huge joint-stock banks, which it is feared are sometimes *out* of touch with the smaller traders. But more particularly is it the outcome of the very strict discrimination most of the British banks exercise against foreign bills. Many of the foreign and colonial banks are not averse to carrying an assortment of foreign as well as home acceptances, but foreign bills

as an investment are not in favor with London bankers, and very few are to be found in their portfolios.

The probability is that this strange aloofness from a paying investment may in time disappear, since other Continental countries realize the importance of holding a good supply of bills payable on foreign centers. They readily perceive that not only are the bills desirable for the interest they yield, but are useful for the effect they have on exchange rates. When France, say, finds interest in London ruling higher than the level in Paris, there will at once be an investment demand for the London paper; and, conversely, when interest rates fall in London the foreign bankers will dispose of these bills on London and replace them by paper giving a higher yield. It is at once apparent that the demand for the bills invariably influences the exchange between the two countries.

I mention this matter because it seems possible that the powers created under the Federal Reserve Act will permit of the United States banks holding a good deal of foreign paper. Section 14, read with Section 25, makes it plain that the disabilities inherent in the old system are now removed; not only is it possible for the national banking associations to open branches abroad, but the Federal Reserve Banks may open banking accounts in foreign countries for purposes of exchange and the purchasing and collection of bills. Consequently, in course of time the bill business will enable America to exert a greater influence over the exchange with foreign countries than has hitherto been possible. Moreover, by allowing the banks to give acceptances America now saves the tribute she has had to pay for having her international trade financed by foreign accepting houses.

With regard to Section 13 of the Federal Reserve Act, it is not quite clear why notes, drafts and bills of exchange secured by staple agricultural products, or other goods, wares or merchandise are eligible for discount, while notes, drafts or bills covering merely investments, or issued or drawn for the purpose of carrying or trading in stocks and other investment securities, except bonds and notes of the Government of the United States, are outside the pale of the provision; unless the intention is to preclude bills being drawn for the purpose of financing share transactions on the United States home markets. As far as foreign business is concerned, London, and most other great financial centers, carry on a lucrative business in bills drawn against investment securities, and so long as a careful control over the operations is exercised, and good margins allowed for depreciation, the risk is not an undue one.

I may add further, in regard to this Section 13, the true definition of "commercial paper" and "commercial transactions" gives rise to as great a diversity of opinion on the part of London bankers as with American bankers. Not many can be found to agree that the meaning could be strictly confined to obligations which represent the purchase price of commodities sold; and, bearing in mind the conditions of purchase and sale peculiar to the United States, the general opinion is that to tie the term down to any hard and fast definition might possibly defeat the avowed intention of the framers of the act to furnish "an elastic currency, to afford means of rediscounting paper." However, there is little doubt that eventually a satisfactory classification will be found, somewhat, we should fancy, on the lines laid down by Mr. A. H. Wiggin of the New York Clearing-House Association.

It seems a pity that the national banks have no powers conferred on them to accept bills arising out of purely domestic commercial transactions, but presumably this state of affairs will be remedied if the need for the domestic bills becomes apparent when the new act is in full working order.

From the remarks of Mr. L. M. Jacobs of the National City Bank, New York, when lecturing in London, I gather that the bill of exchange is

not much in vogue in merchandise transactions, though the single-name promissory note is taken by American bankers. If, therefore, in fixing the definition for commercial paper eligible for rediscount, the Federal Reserve Board discriminates against the one-name paper, it appears not unlikely that the usual trade bills will once more appear in American markets, the result being the creation of an instrument of higher utility for sale on the discount market.

THE evolution of an important discount market is, of course, not the least important benefit which it is hoped will accrue from the new law, and the various provisions enacted should make it possible for a sufficiency of paper to be forthcoming. In this connection it will perhaps be useful to explain the practices prevailing in London.

A good deal of discounting is, it must be understood, done first-hand by the British banks. Take, for example, the case of the merchant engaged in the internal trade of our country. He obtains from a customer an acceptance at, say, three months date in payment for goods. If he and the acceptor be in good repute, the banker will discount the bill for a small charge, there being no need for the intervention of a bill-broker. It rarely, if ever, happens that a banker rediscounts these bills; they invariably remain in his portfolio until maturity. He has the security of the drawer's and acceptor's names on the bill, and as long as a watchful eye is kept on the course of the various trades and the standing of the parties concerned, the risk is purely nominal. The rate charged for discounting such bills is, generally speaking, about half per cent. higher than that charged for bank paper of similar usance.

The amount of such paper offering, however, is not large, and represents but a small proportion of the bills circulating on the London market. What really interests the banks and the bill-brokers are the instruments used in connection with the import and export trade of the country, and it is to be assumed that the American discount market will find that part of the country's commerce furnishing the greater number of the bills first dealt in. More especially will this be the case if the American banks open foreign branches, since the financing of the international trade will have for effect the purchase and sale of a large number of bills of exchange, documentary and clean, which will eventually find their way to the discount market. There is, in fact, a good deal in the new act on a par with English practice; it is noted that any member bank may accept drafts or bills of exchange drawn upon it arising out of transactions involving the importation or exportation of goods, and this should mean a number of first-class bills, viewed in British lights.

This bill finance we find is a business requiring careful handling, and most of the British bankers endeavor to keep at their finger-ends the standing and morale of firms whose names appear on bills: this necessitates the keeping of special books termed "Opinion Lists," which form, so to speak, the financial history of the parties to bills circulating on the various markets. Where the drawers are financially strong, and the drawees prompt in settling their engagements, the banker will pay more for the bills than he would where the parties are comparatively weak. This is more particularly the case in regard to documentary bills. But to the total number of trade and foreign bills found on the London discount market has to be added a large amount of bills accepted by the London joint stock banks, the London branches of foreign and colonial banks and finance houses under what are termed "accepting credits." These bills, bearing the names of first-class banks as acceptors, are called "bank paper," and as soon as the merchant or manufacturer receives such a bill he promptly gets

his own banker to discount it at the rate of the day, which is usually considerably lower than the rate charged for discounting ordinary commercial bills.

In each case the instruments change hands a number of times before maturity—they are rediscounted and rediscounted, and there is always a good investment demand for first-class bills of this nature.

It is unusual for the banks to deal direct with the sellers of the paper; they make use of an intermediary in the person of the bill-broker or discount house, hence the services of this intermediary are in constant request.

In order to be in a position to make or invite definite offers for bills, it is necessary for the broker to visit daily the offices of those dealing in such paper. At the London offices of the foreign branch banks, for example, he procures lists giving class, amount and due dates of bills, and with these in his hands he is able to negotiate business with his clients, the London bankers, finance houses and Continental banks. Every discounter of bills stipulates for an assortment of acceptances; i. e., a proportion maturing at three, four and six months' date, as it may be necessary to purchase bills which fall due at precisely the time the buyer requires to replenish his treasury in readiness for cash demands.

Theoretically, a bill-broker is supposed to take all good bills offered to him; and as he is generally able to find purchasers for the paper at rates yielding a return, he rarely declines to do business for his clients. If, for instance, the broker buys three months' bills at three per cent. and rediscounts them with a finance house at two and fifteen-sixteenths per cent., he secures a small profit on the sale.

The reason buyers of bills prefer to deal through a broker is that, owing to his intimate knowledge of the parties to a bill, the broker, or discount house as the case may be, is able to guarantee the genuineness of all acceptances discounted, and, although his own name does not always appear on the bills, it is his business to see that all acceptances passing through his hands bear the endorsement of the banker disposing of them, and that they are otherwise in order. Seldom, if ever, will a discounter take these bills without the endorsement of a bank or well-known discount house, and, as a matter of fact, the Bank of England stipulates for the names of two British firms (one of which must be the acceptor's) on all paper it discounts.

When a purchase has been satisfactorily arranged, the holder of the acceptances simply transfers his title by endorsement and hands the bills over to the bill-broker against payment of the agreed price. These bills, bearing the banker's endorsement, are usually discounted at moderate rates, as the buyer has recourse to the banker in the event of non-payment at maturity.

It must not be supposed that each batch of discountable bills represents acceptances of London firms; there is often a percentage of paper bearing the acceptance of Continental traders or finance houses. These are termed "foreign domiciles," that is, bills accepted, say, in Paris, and payable in London, and, as was pointed out in a previous paragraph, English bankers are generally averse to carrying such bills in their portfolios. In fact, the Bank of England will not discount these acceptances even where they bear the endorsement of Continental banks and finance houses of the highest standing, and as a result of this discrimination against foreign domiciles, a higher rate is charged by the brokers or discount houses, who finally take a proportion of such bills from the foreign branch banks and similar institutions.

In their anxiety to discourage the circulation of foreign domiciles on the London market, English bankers have of recent years extended the ban to bills known as "foreign agencies." Under this heading are included bills accepted by the London agencies of Continental or foreign firms, whose princi-

pal assets are not available in this country, and for these acceptances discounters exact a rate from one-sixteenth to one-eighth per cent. higher than that charged for discounting first-class English domicile bills.

To the American mind the margin of profit made by the bill-brokers may appear small; but when it is remembered that in addition to their own capital. which is usually small, they employ a very large amount of money borrowed from the banks at "call" or "short notice" at low rates of interest, it is plain that the profits are not so infinitesimal as at first appears. As cover for the loans from the banks, bill-brokers usually deposit "terminals" and "floaters"; i. e., high class securities "to bearer," such as consols, exchequer bonds, Treasury bills; or, in some cases, batches of first-class acceptances are taken as cover.

Unlike the ordinary brokers, the discount companies are not wholly reliant on funds borrowed from the banks; they receive money on deposit from outside sources, and as by offering higher rates of interest they sometimes obtain cash which, but for their existence, would have gone into the banks' coffers, they may no doubt be looked upon as active competitors in the banking world.

FROM the foregoing remarks it will be seen that the provisions of the new Federal Reserve Act, in regard to acceptances and rediscounts, contain the material for the building up of discount and financial markets eminently satisfactory to all concerned; and, as far as can be judged from an outside point of view, there is no doubt that the principles evolved make for a thoroughly sound system, the results of which should be reflected in the returns from the international trade of the United States. It is, I think, obvious that the bankers stand to benefit enormously from the new order of things, and while Congress has done all in its power to ensure the provision of cheap rates to the commercial community, the enhanced profits now obtainable by the banks will surely make for an all-round cheapening of those credit facilities essential for the internal as well as the foreign trade of the country.

Business in Government

IT is to be regretted, says the "Manufacturers' Record," that many men in public life in Washington who have never in their lives been engaged in any important business operations or managed any great business interests labor under the sad delusion that they know more about business needs and the ups and down of business than all of the men throughout the country who from early life have given their strength of body and mind to the development of business and to the management of vast business operations. There was a time when business men of ability were supposed to know something about the business conditions of the country and about their own individual business interests and whether trade was dull or active. But that time has passed, at least when measured by the standards set up in Washington in these latter days. It is to be hoped that some day the men who rule the nation from Washington will be business men, or at least men who have had large business experience, and not merely men of whom a very large proportion are lawyers, who have had no practical experience in the creation or management of the business interests on which the progress and prosperity of the country are founded.

The Panama Canal—Its Effect on Domestic and Foreign Trade

By O. P. AUSTIN, Former Chief United States Bureau of Statistics

No event of recent years can compare in commercial importance to the opening of the Panama Canal—something already practically accomplished though not yet signalled by official ceremony. In the accompanying paper, which is an address delivered before the convention of the Maryland Bankers Association, Hon. O. P. Austin, Former Chief United States Bureau of Statistics, tells in a striking way of some of the effects which the opening of the Canal will have on our foreign and domestic commerce.—Editor Bankers Magazine.

WHAT is the value of the commerce moved on the waters of the two great oceans which this canal is to connect—the Atlantic and the Pacific? The value of all the imports and all the exports of the nations of the world now aggregates approximately forty billions of dollars, stating it in very round figures. But this includes both the exports and the imports and as all exports are counted a second time when they become imports the value of the merchandise forming the international commerce of the world is about twenty billion dollars a year.

Of this vast sum of twenty billion dollars' worth of merchandise approximately one-half, or, say ten billion dollars per annum, moves on the Atlantic or Pacific oceans, in some cases on both oceans.

Of our own imports and exports, which aggregate four and a half billion dollars per annum, nearly four billions are moved on the oceans. The commerce of the countries and islands south of us aggregates three billions per annum and that of Canada nearly one billion and in each case a large share of the traffic moves by water, indicating that the value of the commerce crossing these two oceans to and from all America is about seven billion dollars per annum.

While the volume of European commerce, which moves along the eastern coast of the Atlantic on its route to the Orient, and of Oriental commerce, which moves along the western shore of the Pacific to Europe, is large, we can scarcely estimate at present the share of that which will seek the Panama Canal, for it can scarcely be said that it will in many cases shorten the route followed by that trade.

There will doubtless be cases where vessels having freights from European ports and from the Orient will find it advantageous to complete their cargoes of merchandise for the eastern coast of the United States and after discharging their cargoes there take additional freights for the Orient and pass through the Panama Canal and there will undoubtedly be similar instances where vessels from the Orient with partial cargoes for the Orient will complete their cargoes with merchandise for the United States and on discharging fill the space with our grain and other merchandise and pass thence to Europe, utilizing the Panama Canal en route. How much this will add to the seven billion dollars of the present normal traffic of the two oceans between America and Europe on the East and Asia on the West cannot now be determined.

TRAFFIC OF UNITED STATES

IT is, however, with reference to our international trade and to the traffic between our own coasts we are especially interested and in the effect of this canal upon the traffic of our eastern coast, and in that section of the eastern coast in which you are especially interested, Baltimore and its tributary territory.

First, as to the relation which the Panama Canal is to have upon your commerce with the Orient and with the western trade of America. Look at the map of the world and you will see that the western coast of South America lies due south of the eastern coast of the United States. Shall we say due south of Baltimore? And this makes the Panama Canal the direct route from this section; from your own city to a large part of the Eastern Orient and all of Western America. To Yokohama, the trade center of Japan, and one of the great commercial cities of Asia, the distance from Baltimore by way of Panama is 9,680 miles, against nearly 15,000 miles if we follow the usual vessel route by way of Suez. To Shanghai, the commercial center of China and one of the most important Asiatic ports, the distance from Baltimore by way of Panama is 10,667 miles, against 14,000 by way of Suez. To Hong Kong, one of the chief distributers of merchandise for Eastern Asia, the distance from Baltimore by way of Panama is 11,250 miles and by way of Suez about 12,000. To our own Philippine Islands, with which the trade is rapidly increasing under the regulations providing for free exchange between those islands and the United States, the distance from Baltimore by way of Panama is 11,360 miles, by way of Suez 11,850. To Melbourne, one of the largest importing ports of Australia, in which country American goods are especially popular, the distance from Baltimore is 9,840 miles by way of Panama and 13,300 by way of Suez. To Wellington, New Zealand, to which our exports show a rapid growth, the distance from Baltimore by way of Panama is 8,350, against 14,580 miles by way of Suez.

NEARNESS AND EXTENT OF PACIFIC TRADE

THUS the opening of the Panama Canal will shorten the steamship mileage from Baltimore to Manila about 500 miles, to Hong Kong about 750, to Shanghai about 2,300, to Yokohama about 3,000, to Melbourne nearly 3,500 and to Wellington more than 4,000 miles. It will place Baltimore nearer to these ports than is London, the great commercial center of our principal rival in the Oriental trade.

As to the western coast of South America the gain is very much greater and ranges from 3,000 to 6,000 miles gained, the distance from Baltimore to the most important of the west coast cities of South and Central America being cut in half or even a greater reduction than would be indicated by that term.

Thus we may assume that the canal is to bring this section of our country—your city—much nearer than at present to practically all the countries fronting on the Pacific and considerably nearer than is London to most of them.

Now, let us see what their trade amounts to and how much we are at present getting of it. The total value of the merchandise entering the ports of the western coast of America other than the United States now exceeds $300,000,000 per annum, and we may expect that the trade of Argentina will also be accessible by way of Panama, and that class of high-grade goods which require rapid transit and will stand the cost of transportation by rail across South America. Crossing the Pacific we find the imports of Japan approximately $300,000,000 per annum; China, approximately $350,000,000; Hong Kong, estimated at approximately $150,000,000; Australia

and New Zealand, over $400,000,000, and the Philippine and Hawaiian Islands, $75,000,000 a year, making the total imports of the countries which are to be brought nearer to you by the Panama Canal nearly $2,000,000,000.

Now, let us consider for a moment the effect of proximity in the advantage which it gives our trade. To determine this, approximately at least, we have but to determine the records of our own trade with various parts of the world at the present time. Take, for example, the countries lying directly south of us. In those fronting upon the Caribbean with which we have direct and plentiful steamship connections we supply from thirty to sixty per cent. of their imports. The moment, however, we pass to the southern section of South America the share which we supply of the imports is about ten per cent., and this is also true as to our share of the imports of most of the Asiatic territory, except in the case of Japan, to which we supply from fifteen to twenty per cent. of its imports, and the Philippines, nearly forty per cent., by reason of peculiar trade relations. Taken as a whole. we supply but little more than ten per cent. of the imports of the Pacific frontages, whose total imports amount to approximately $2,000,000,000 a year. With the shortening of distances which the Canal offers, our share of these imports should increase fifteen and twenty per cent. with the Oriental countries and fifty per cent. on the western coast of America.

WE MAY SELL COAL, FOODSTUFFS AND MANUFACTURES

WHAT is the character of the trade to which this new door brings you thus materially nearer? The requirements of the entire Pacific frontage may be summed up in three words: Coal, foodstuffs, manufactures. Scarcely a country fronting upon the Pacific, Japan excepted, has sufficient coal for its own requirements. Practically all of them except Australia, New Zealand and Canada must import foodstuffs, especially flour, meats and canned goods of all sorts. All of them without a single exception require manufactures, and in most cases manufactures form a large percentage of their total imports. So you will see that this area, this entire Pacific frontage which is thus brought much nearer to your doors, requires the very kind of merchandise which you have to sell, and desire to sell, coal, foodstuffs and manufactures of all sorts.

What have these countries to sell which you and your merchants and manufacturers want to buy? The western coast of South America has fertilizers which you must have for your farms and the great market garden of the Atlantic coastal plain. Australia supplies the wool which your factories must have. China and Japan the raw silks, of which we bring nearly a hundred million dollars' worth half way around the world and in our factories turn it into $800,000,000 worth of finished merchandise. In foodstuffs western South America and Java supply sugar and coffee, Hawaii, Philippines and Dutch East Indies, sugar and fruits.

EFFECT OF CANAL UPON TRANSCONTINENTAL TRAFFIC

BUT it is with reference to the trade between our own eastern and western coasts by way of the Panama Canal that we are especially interested and particularly at this moment, when our interest in the subject has been sharpened by the recent discussions regarding the use of the Canal by this traffic.

At present the quantity of merchandise passing between the eastern and western frontages of the United States is about 7,000,000 tons per an-

num, of which about 6,000,000 are carried by rail and 1,000,000 by steamships by way of Panama and Tehuantepec. Of the 6,000,000 tons carried by rail about 3,000,000 move from east to west and 3,000,000 from west to east, and of that which moves by water and across the Isthmus the division is nearly the same if we include the merchandise from Hawaii moving to the eastern coast of the United States chiefly by way of the Tehuantepec Railway.

In these figures I do not, of course, mean merely the merchandise originating precisely upon the eastern frontage or the western frontage, but rather the quantity of freight moved from the eastern section of the country to the western section and from the western section to the eastern. As to the share of this coast to coast commerce which now moves by water it is drawn not merely from the coastal cities, but from a strip several hundred miles wide fronting on the eastern and western coasts.

Professor Emery Johnson, in his careful study of this subject made for the United States Government, states that a strip of territory on the eastern frontage of the United States extending as far west as Buffalo and Pittsburgh now sends a large proportion of its freight destined for the Pacific Coast to the Atlantic port and thence by water by way of Tehuantepec or Panama, and in a few instances around the southern end of South America, while the western coast of the United States sends a portion at least of its freight to the Pacific Coast cities to be sent by way of Panama and in a few cases by way of Cape Horn or Magellan Straits.

It may thus be said in very general terms that the bulk of the merchandise passing by water between the eastern and western coasts of the United States originates chiefly within a strip of territory about 300 miles in width along each coast and that this strip will be materially widened with the opening of the Panama Canal and the cheapening of rates which we may expect will follow. As to the relative rates of freight by rail across the Continent or by water by way of the Isthmuses or Cape Horn we can only speak in most general terms. Professor Johnson states that the rates by way of Panama and Tehuantepec are from twenty to sixty per cent. below those of the transcontinental railroad lines, while Russell L. Dunn of San Francisco estimates the average transcontinental rate at from $27 to $35 per ton by rail and the rate around Cape Horn from $9 to $10 per ton. These two estimates suggest that the present rates by water are from one-third to one-half those charged by the transcontinental lines. If we were to accept Mr. Dunn's estimate that the average rate for transcontinental traffic is from $27 to $35 per ton and apply this to the estimate of 6,000,000 tons of freight moved by the transcontinental roads between the eastern and western sections of the country we should get an estimate of approximately $200,000,000 for that service. Even this calculation, however, should only be accepted as a suggestion and scarcely as an estimate, since the variation in the kinds of freight carried, distances moved and other conditions is so very great as to render a close estimate impracticable.

EFFECT UPON STEAMSHIP LINES AND RAILROADS

WHAT will be the effect of the opening of the Canal upon the relative coast to coast traffic by steamship lines and by transcontinental lines?

That again is a difficult and at the present moment somewhat controverted subject. The steamship lines which now carry the bulk of the freights of the coast to coast trade pay to the Tehuantepec and Panama Railway lines one-third of the entire coast to coast freight charges. This suggests that the prices paid for transporting merchandise across the Isthmus of Tehuantepec or Panama now amount to

from $2.50 to $4.00 per ton. The rate of tolls to be charged on merchandise passing through the Canal, now that Congress in its wisdom has decreed that coastwise traffic shall pay the same rates as other merchandise, is $1.20 per net vessel ton, but as the vessel ton of 100 cubic feet will in most instances carry about two tons of freight we may assume that the actual freight charge through the Canal will be about sixty cents per ton of merchandise instead of the present rates, which, as I have already said, probably average from $2.50 to $4.00 per ton. If these calculations are even approximately accurate we may assume that the opening of the Canal may very materially reduce the water rates charged for coast to coast traffic, will materially widen the zone sending its merchandise to tidewater for this transportation and materially increase the traffic between the eastern and western coasts of the United States.

POSSIBILITIES OF COASTING TRADE

THE coastwise traffic of the country is much larger than is generally realized. A special study of this subject made by the Census Bureau in 1906 put the total quantity of freight moved from port to port on the Atlantic and Gulf Coasts at 65,000,000 tons and on the Pacific Coast at 17,000,000 tons, and it is probable that the quantity now so moved is fifty per cent. greater than at that time, or say, 100,000,000 tons on the Atlantic and Gulf Coast and 25,000,000 tons on the Pacific Coast. This merchandise moved coastwise on the Atlantic Coast included coal, cement, cotton, flour, canned goods, petroleum, pig iron, iron ore, phosphates, lumber, fruits, tobacco, naval stores and manufactures, many of which are of a class required in the extreme West; while the freights thus moved on the Pacific Coast include lumber, fruits, salmon, wheat, flour, petroleum, canned goods and other articles, many of which are required in the eastern section of the country, so it appears that the quantity of freight which will become interchangeable between the two coasts by an all-water route after the Canal is opened amounts to about 125,000,000 tons per annum, or twenty times as much as the quantity now carried across the country by the transatlantic railroads. And when we consider that the cost of moving freight by all-water transportation, especially in the case of long hauls, is but about one-tenth of that charged by the railroads we can see that the possibilities of coastwise trade through the Canal are extremely important.

Motion Pictures and Thrift

EARLY the coming autumn, under the auspices of the Savings Bank Section of the American Bankers Association, a motion picture story is to be put on exhibition, the title being "The Reward of Thrift." It is not by any means to be a mere sermon on the salvation that comes through the cultivation of the saving habit, although this idea runs through the story; but it is a real thriller, showing men at work on a skyscraper, with caissons, "sandhogs," pursuing villains, with unavailing "coises," finger-prints, etc., etc.

If the interest stimulated by this exhibition leads to a greater development of the practice of saving in this country, the presentation will result in great good. The experiment will be watched with intense interest, not merely by savings bank men, but by all who are concerned about the country's welfare.

Banking and Commercial Law

CASE COMMENT AND REVIEW

Capitalization of National Banks

CAN a national bank, situated on the outskirts of a city, which afterward extends its borders so as to include the place where the bank is located, continue to do business under the same capitalization and reserve requirements as obtained in its more restricted sphere of operation? No.

It is important that there be some due proportion between the capital and the amount of deposits. The small community will, as a rule, create a small bank; a large city a large one. And the value of the bank to the business interests is affected by its loans to borrowers, the amount being restricted to a certain portion of its deposits. Its safety as a financial institution is measured by the percentage of capital to deposits. Moreover, the reserve requirements in a large place are greater than in smaller ones, an advantage to the latter. To allow a bank to charter as a "country bank," and move into a city, or be domiciled in a city by the expanding process incident to growth of cities, would permit the bank to move with its meagre equipment into more important fields, an obvious advantage to it, and injurious to its competitors.

When it organizes it must obey certain laws. When it moves, it must still obey the laws of its new domicile. The First National Bank of Capital Hill, Okla., thus sought to move, bag and baggage, into Oklahoma City from the suburbs, with a capital of $25,000 and reserve requirements of fifteen per cent., as against a capital requirement of $200,000 and reserve of twenty-five per cent. for the city banks, and it was held to be against the law as well as good policy. (See First Nat. Bank vs. Murray in this issue.)

Fraudulent Real Estate Transactions

THE possibilities of fraud in connection with real estate transactions are many; and considering the numerous changes of ownership and the ease with which imposition may be practised, the wonder is so few fraudulent transactions occur. It would not seem difficult for a party to walk into a bank with deed in hand, and, assuming to be the owner of the premises, negotiate a mortgage; or, assuming to be the owner of property, negotiate a sale, particularly where the owner is not personally known and known to be living at a distance.

A mortgage made by one not having title is worthless; and a deed of one having no title cannot convey. The question as to who loses depends upon the circumstances.

In a recent Colorado case, one Warren, assuming to be Murphy, the owner of land, bargained with Nichols to sell him a parcel of land in Nebraska, standing in the name of Murphy. The deed was drawn and mailed by Nichols to Murphy, at Brush, Colorado, Murphy being at the time in Utah. Warren executed the deed, took it to the Stockmen's National Bank and, after an exchange of telegrams between the latter and the Farmers and Merchants Bank at Morrill, Nebraska, where Nichols lived, part of the agreed price was paid in cash and the bal-

ance by draft. The fraud was discovered in time to stop payment on the draft and action was brought against the bank, which in this case was held blameless. (See Boatsman vs. Stockmen's Nat. Bank in this issue.)

Clearing-House Rules Do Not Bind Non-Members

CLEARING-HOUSE rules and regulations are generally held binding on all who do business through such agencies. Obviously the clearing-house is for the purpose of expediting bank settlements and whatever hardships follow the enforcement of the rules are greatly overbalanced by the benefits accruing therefrom.

The Texas courts, however, do not recognize the binding force of these rules on non-members.

A check drawn on a private banker, and member of the clearing-house, was deposited in another bank on October 16, 1907, at about 2.30 o'clock, too late for the clearings of the day. The check was duly sent through the clearing-house on the 17th, and was presented to the drawee after the closing hour of the bank (clearings being made at 2.45).

In clearing at the Houston clearing-house debtor banks are drawn on in favor of creditor banks and the balance against the drawee of this check was so drawn against, but payment refused, the banker having gone into bankruptcy.

It is conceded that if the check had been presented on the day before, or at any time during the 17th. over the counter, it would have been paid.

The issue in this case is whether the depositary bank in failing to present the check within the time prescribed by law was chargeable with negligence on its part which would render it liable, although it presented the check in the recognized clearing-house manner.

The drawer of the draft was discharged by reason of the failure to present as the law required, it being the duty of the receiving bank to its depositor to present the draft during the 17th.

The rights of a non-member depositor in a member bank are not affected by the clearing-house rules, nor can he take advantage of them. The collecting bank lost. (See Dorchester vs. Merchants Nat. Bank in this number.)

To the Highest Bidder

A NEW and novel "sure thing" method of bidding for public funds—in fact, for any publicly offered commodity—has been discovered by an Arkansas bank. The trouble is, it doesn't work. Grant County, Ark., had a bankable balance and advertised for bids for its use. The Grant County Bank bid four and one-quarter per cent. on daily balances, and the Citizens Bank proposed to pay "one-quarter per cent. *more than any other bidder.*" The court construed this to be an offer of four and one-half per cent. Before the matter was settled the Grant County Bank offered 4.51 on daily balances, but the Citizens Bank got the money. and a lawsuit resulted, the outcome of which was a ruling that there can be no competition unless all bidders are required to bid on the same basis and no proposition can be construed as a bid unless it is complete in itself; and the bidding had to be repeated.

To bid "a dollar under the lowest bidder" for the construction of a house; or "a dollar higher than the highest bidder for some other object, might be good for the successful bidder, but demoralizing to all others—a shrewd bit of unfair practice. (See Grant County Bank vs. McClellan, in this issue.)

Right of a National Bank to Remove its Location Without Increasing its Capital

Capitalization of National Banks

United States Circuit Court of Appeals, Eighth Circuit, Feb. 16, 1914.

FIRST NATIONAL BANK OF CAPITOL HILL VS. MURRAY, COMPTROLLER.

ACTION by Lawrence O. Murray, as Comptroller of the Currency, against the First National Bank of Capitol Hill. Judgment for plaintiff, and defendant brings error. Affirmed.

STATEMENT OF FACT AND OPINION

HOOK, *Circuit Judge*: The First National Bank of Capitol Hill, Okla., complains of a judgment in a suit by the Comptroller of the Currency forfeiting its charter because its directors knowingly violated the national banking laws. Section 5239, Rev. St. (3 U. S. Comp. St. 1901, p. 3515).

The bank was chartered in 1909 with a capital of $25,000 to do business in the village of Capitol Hill, Okla., a suburb outside the corporate limits of Oklahoma City. Less than a month afterwards, by proceedings under the local laws, the limits of the city were enlarged to include the village. Capitol Hill had not exceeding 3,000 inhabitants; Oklahoma City a population of over 50,000. Thereupon the bank, desiring to remove its banking house to the business section of Oklahoma City within its original limits, applied to the Comptroller for permission to do so. The Comptroller refused to permit the change unless the bank increased its capital stock to at least $200,000, changed its name to Capitol Hill National Bank of Oklahoma City, and agreed to comply with the provisions of the law relating to reserves to be held by banks in reserve cities, Oklahoma City being of that character. The bank having declined to comply with these conditions and having removed its place of business to the location desired, the Comptroller brought action with the result above indicated.

The statutes relating to the situation provide as follows: The organization certificate of a national banking association must state the name adopted which is subject to the approval of the Comptroller. It must also state the place where its operations of discount and deposit are to be carried on, and its usual business shall be transacted at an office or banking house in the place so specified. The reserve required to be maintained by a national bank in a non-reserve locality is fifteen per cent. of its deposits, while in a reserve city it is twenty-five per cent. Generally a national bank cannot be organized with a capital less than $100,000, nor, in a city of more than 50,000 inhabitants, with a capital less than $200,000; but, with the approval of the Secretary of the Treasury, it may, in a place of 3,000 inhabitants or less, have a capital of at least $25,000, and in a place of not exceeding 6,000 inhabitants a capital not less than $50,000. A national bank may change its name or the "place" where its operations of discount and deposit are carried on to any other "place" in the same State not more than thirty miles distant with the approval of the Comptroller, but no such change shall be valid until the Comptroller has issued his certificate of approval. * * *

There is no right to organize and carry on the business of a national bank except upon the conditions and in the way prescribed by the acts of Congress, of which all must take notice. McCormick vs. Market Bank, 165 U. S. 538.

Extensive powers of control and visitation have been confided to the Comptroller of the Currency, and his acts within the law are not subject to review by the courts. The above provisions of the acts of Congress were

intended to secure uniformity, efficiency and safety in the conduct of the business authorized, and they should be construed in the light of that purpose.

It is important that there should be a due proportion between the capitalization and the amount of deposits which may reasonably be expected in a village, town or city in which a bank is located. The value of a bank as an aid to business is affected by the amount it is authorized to lend its customers, and a national bank is prohibited from lending a single borrower more than a prescribed per cent. of its paid capital. The larger or more populous the locality, the greater, ordinarily, may be the needs of customers.

Again, the maximum limit of the required surplus which makes for financial soundness of such institutions is also proportioned to the amount of capital. The reserve required by the law was fifteen per cent. in Capitol Hill; it is twenty-five per cent. in Oklahoma City. We do not think the Capitol Hill Bank acquired, through the action of the local authorities, immunity from those requirements of the Comptroller which could have been imposed had it first sought a certificate of authority to do business in Oklahoma City. It insists upon carrying its meagre equipment just acquired into the larger and more important field of action solely because of a local occurrence foreign to the spirit and intent of the Federal statutes and in which no one charged with the administration of those statutes participated.

If it should prevail in this, a way is pointed out by which interested persons advised of impending changes of municipal limits may evade the commands and prohibitions of Congress on a subject peculiarly within its exclusive jurisdiction. Had the bank sought authority at first to do business in the city on village conditions, it would certainly have been refused as contrary to law; it should not be indirectly secured in the way shown. Though the separate identity of the village has been by the action of the local authorities and for local governmental purposes merged in that of the city, the city is not in the circumstances of this case the same "place" as the village within the meaning of the Federal statutes and the action of the Comptroller sought and obtained by the organizers of the bank.

The judgment is affirmed.

(212 Fed. Rep. 140.)

Unfair Bidding for Public Deposits

Arkansas

Supreme Court of Arkansas, April 20, 1914.

GRANT COUNTY BANK VS. MCCLELLAN.

A bid to pay one-quarter per cent. more than any other bid for public funds is invalid, since a bid must be complete in itself.

STATEMENT OF FACT

THE GRANT COUNTY BANK and the Citizens Bank, both located in Grant county, sought to be designated as the depositary of the public funds of that county, and each filed a proposition in writing with the clerk of the county court of that county. The action was taken in response to an advertisement published by the county judge inviting bids for the use of the public funds of that county, under the authority of Special Act No. 326 of the Acts of 1911.

The bid of the Grant County Bank was an offer to pay four and one-quarter per cent. on daily balances, while the Citizens Bank proposed to pay "one-fourth of one per cent. per annum more than any other bid" offered. When said bids were opened, the Grant County Bank objected to the bid of the Citizens Bank being considered, but the county court construed the bid of the last-named bank to be an offer of 4.5 per cent., which construction was then and there ratified by the cashier of that bank, but the

court continued the hearing until the following Saturday at which time all interested parties were notified to appear and show cause why the Citizens' Bank should not be selected as the depositary. On this adjourned day the Grant County Bank amended its bid by offering to pay 4.51 per cent. on the daily balances.

The court held that the amended bid of the Grant County Bank could not be considered, because it was not made on the day required by law, and entered an order declaring the Citizens Bank to be the depositary for all the funds of that county for the ensuing two years, and ordered the Grant County Bank, the then depositary, to pay over all public funds to the Citizens Bank.

One P. T. Lewis, the cashier of the Grant County Bank, as a citizen and taxpayer of that county, made himself a party to the proceedings and prayed an appeal to the circuit court, and the Grant County Bank also prayed an appeal as an unsuccessful bidder. Upon the trial in the circuit court numerous declarations of law were asked, reflecting the view of the respective litigants, and the court entered up a judgment reciting the declarations of law made, as follows:

First, That a proposition from any bank, trust company or other financial institution, that may desire to be the depositary of the public funds of this Grant county, must file its bid in due form, which bid must contain a distinct proposition, which can be acted upon taken alone and without reference to anything outside itself.

Second, That the bid filed by the Citizens Bank was not in proper form, because said bid did not contain a distinct proposition that could be taken and acted upon alone, without reference outside itself, and was, therefore, under the law, no bid at all.

Third, That the county judge was not authorized to accept said bid of the Citizens Bank and declare said bank the depositary of the funds of Grant county, because the bids for said funds filed by said bank was irregular, indefinite and uncertain.

Fourth, That the bid filed by the Grant County Bank for 4.25 per cent. on daily balance was a distinct proposition, which could have been acted upon alone and without reference to anything outside of itself.

Fifth, That the county judge under Section 8 of the act, at page 931, has the power to reject any and all bids. The court found that the action of the county court in designating the Citizens Bank as the county depositary was unauthorized, and that the action of the county court in accepting the bid of the Citizens Bank operated as a rejection of the bid made by the Grant County Bank, and, therefore, the county has no depositary. The order awarding the funds to the Citizens Bank was declared void, and the clerk of the county court was ordered to proceed to readvertise for bids for said funds. All parties have appealed to this court.

OPINION OF THE COURT

SMITH, J.: There can be and is no real competition unless all bidders are required to bid upon the same basis, and no proposition can be construed to be a bid unless it is complete in itself as declared by the court. Bank of Eastern Ark. vs. Bank of Forrest City, 94 Ark. 311; Casey vs. Independence County, 159 S. W. 24.

Appellee says, however, that the special act applicable only to Grant county gives the judge of that county a discretion not given to county judges by the general law, and that under this special act the county judge is not required to award the contract to the highest bidder. Section 3 of this special act reads as follows: "At 1 o'clock p. m., of the said first day of the county court as aforesaid, the court shall publicly open each and every bid so received and shall cause each to be entered of record, and shall elect from among said bids one to be the depos-

itary of the public funds of said county; provided, the county court shall have the power to reject any and all of said bids; and, provided further, that no bid shall be received for less than three and one-half ($3\frac{1}{2}$ per cent.) per centum per annum, computed by the daily balances of cash on hand, belonging to the county, and if no bid shall be received from any of the aforesaid firms residing or doing business in the county, the county court shall have power and is hereby authorized to loan banks, bankers or trust companies, who reside in other counties in this State, the funds of the county, not exceeding seventy-five per centum (75 per cent.) of said funds at any one time, for not less than three and a half per centum ($3\frac{1}{2}$ per cent.) interest, on the same terms and conditions as to banks, bankers and trust companies who may reside or are doing business in said county." This act does provide that the county court "shall select from among said bids one to be the depositary of the public funds of said county," and the direction is not expressly given to select the highest bidder; but, while that direction is not expressly given, it is necessarily implied. The whole theory and purpose of such legislation is to secure the highest returns for the use of the public funds. And such is the purpose of this special act. It provides what shall be done by the successful bidder to make its bid effective. A study of the act leaves no doubt that the legislative will was that there should be competition, and not favoritism. Indeed, the county court awarded the contract to the Citizens Bank, not in the exercise of any discretion, but upon the theory that its bid was the highest.

Under this special act the county court is authorized to let no contract for the deposit of the public funds, except by bids received in response to the advertisement inviting bids. The court might in a single advertisement invite bids, both from the banks and trust companies located in that county, and also from "loan banks, bankers or trust companies who reside in other counties in this State"; and, if no bid was received from any local bank which complied with the law, the court could then contract with some institution located outside of that county. But the Citizens Bank made no bid, and it had not qualified itself to be contracted with, and the order designating it as the county depositary was void.

The judgment of the court below will be affirmed, and the clerk of the county court will proceed at once, if he has not already done so, to again advertise for bids.

(166 S. W. Rep. 550.)

Time of Presentment of Check

TEXAS

Clearing-House Rules—Diligence

Supreme Court of Texas, Jan. 28, 1914.

DORCHESTER VS. MERCHANTS NAT. BANK.

A check on a bank located in the same place as the payee must be presented for payment within banking hours on the day after the payee receives it; if on a bank in another place, it must be presented before closing hours on the first secular day after the receipt of the check for presentation by some one in the place where the bank is located. A non-member of a clearing house is not bound by its rules.

ACTION by C. B. Dorchester, receiver, against the Merchants National Bank of Houston and another. Judgment of the Court of Civil Appeals (136 S. W. 551) reversing a judgment for plaintiff against the defendant named and rendering judgment for such defendant, and plaintiff brings error. Judgment reversed, and judgment of district court affirmed.

STATEMENT OF FACT

THE judge of the district court made this finding of facts:

"(1) That the defendant, Texas Lamp & Oil Company, was indebted, upon open account, in the sum of $1,563.33, which indebtedness is not denied.

"(2) That on the 15th day of October, 1907, the Texas Lamp & Oil Company drew its check upon the bank of T. W. House and sent the said check by mail to its creditor, Dorchester, as receiver of the Waters Pierce Oil Company, which check was received by said Dorchester, or his agent, in due course of mail, on the morning of October 16, 1907, at about the hour of 8 o'clock. That the Texas Lamp & Oil Company, or its manager or owner, who drew the check, did business with T. W. House, and that he had received canceled checks that had gone through the clearing-house, which had marked on them 'Paid by clearing-house,' or 'Paid through the clearing-house,' and that the present Texas Lamp & Oil Company had been doing business here about six or seven years. I do not find that said manager or owner had any other knowledge of the methods of doing business than were revealed by those checks.

"(3) The said agent of the receiver in charge of the business in Houston took the said check, in connection with something like 119 other checks, aggregating $10,045.36, and sent them by messenger, in the ordinary course of business, to the Merchants National Bank, which is interpleaded in this action.

"(4) That the weight of the testimony is to the effect that the messenger of the Waters Pierce Oil Company (which term will be used instead of using the name of Dorchester) did not reach the bank until some time after 2.30 o'clock of the 16th, or about 2.45 or 2.55 on that day, and did not reach it in time for the checks deposited on that day to get into the clearing-house, it being necessary, under the rules of the clearing-house, for all checks to be there at the clearing point by 2.45 p. m. of each business day, that being the hour at which the clearing-house met each day, except on Saturdays.

"(5) The Merchants National Bank, therefore, held the checks, but duly sent them in to the clearing-house at the proper hour on the 17th, at 2.45 p. m., and when the checks were received, they were all sorted out, as is customary there, and all the checks that were drawn on T. W. House were delivered to some messenger or clerk of his and sent over to the bank of T. W. House for the purpose of having the signature verified and the indorsement examined by those of his employees charged with that duty. I find the weight of the evidence to show that this check did not get to the bank of T. W. House till after 3 p. m., when it was closed for business.

"(6) The Merchants National Bank was a debtor of the clearing-house on that day to the extent of something like $114,000, and T. W. House was debtor bank to the extent of something in excess of $21,000. The method of operation of the clearing-house seems to be that all the checks drawn in favor of any bank were balanced against those drawn in against it, and if those drawn against it are in excess of those drawn in its favor, it becomes a debtor to the clearing-house to that extent, and the manager of the clearing-house draws checks upon the debtor banks in favor of the banks who are credit banks on that day, and thus the accounts are settled between them.

"(7) Upon that day, October 17, 1907, the balances were so struck and checks were drawn on the Merchants National Bank in favor of other banks to the extent of its indebtedness, and a check to the extent of twenty-one thousand and odd dollars was drawn against the bank and T. W. House, which, when presented, was refused payment, T. W. House having, at the close of business on that day, acknowl-

edged himself insolvent and made an assignment, and he was afterwards adjudged a bankrupt.

"(8) It seems, so far as I can deduce from the testimony, that the clearing-house had no rules or regulations in its by-laws or book of rules providing for any such contingency as the failure of one of its members, so after the failure of Mr. House was announced, there was an assemblage called together of the officers of all other banks belonging to the clearing-house, ten in number, excluding Mr. House, and it was decided to have another clearance and rebalance the books and exclude and eliminate all checks drawn in favor of or against T. W. House, which was done.

"(9) I find that in anticipation of the payment of the check by Mr. House when it should be presented through the clearing-house, the Merchants National Bank marked on it in the usual way 'Paid through the clearing-house, October 17, 1907,' and in that form it went to the clearing-house.

"(10) When that check and all others drawn on T. W. House were dishonored and refused payment, the Merchants National Bank notified the Waters Pierce Oil Company of that fact, and that company sent the Merchants National Bank a check for $1,563.38 to balance the credit it had received by reason of the deposit of the check drawn by the defendant, Texas Lamp & Oil Company, in its, the Waters Pierce Oil Company's, favor.

"(11) I find from the testimony of the paying teller of T. W. House, a man of unquestioned veracity, that if the check drawn by the defendant, Texas Lamp & Oil Company, on T. W. House, in favor of the receiver of the Waters Pierce Oil Company, had been presented to him within business hours on the 17th day of October, 1907, it would have been paid, because the drawers had funds to their credit sufficient to pay it, and the bank had sufficient money wherewith to meet it.

"(12) Unless the facts above recited of the sending of the check to the clearing-house, and the action concerning it explained above, was a presentation, within the meaning of the law, there never was any presentation of the check at the counter office of T. W. House with a request for payment of the funds it called for, before 3 o'clock on the 17th of October, 1907.

"(13) When the receiver of the Waters Pierce Oil Company sent his check to offset the credit he had received, he had no actual notice of what had been done with the other check, or what course it had taken, further than he was informed that payment had been refused, but I find he or his agents knew that the course the check would take would be through the clearing-house.

"(14) It seems that the clearing-house is a voluntary association of all the banks in the city of Houston, organized and operated for their convenience and to expedite business by an exchange of checks at a certain hour each day, instead of each bank sending to all other banks all the checks drawn on them, and that its organization as such is composed of all the banks in the city.

"(15) I find that it is the custom of business houses to deposit their checks in the banks with which they do business, and that customarily, the banks make their collections through the clearing-house, and that in Houston it is generally known among those dealing with banks that deposits must be in by 2.30 p. m. The custom of all the banks in Houston that belong to the clearing-house also was to make collections of checks drawn against the members of the clearing-house, through the clearing-house. It is not shown that there was any agreement to that effect in the organization of the clearing-house, but such was the custom and usage, and it seems that each bank which belonged to the clearing-house

also had a clerk, or one in some capacity, who attended to the business of delivering items of deposits to the clearing-house for action, but such member had no authority, as I conclude, to pass upon the validity of checks, or decide whether they were good in the sense that there was funds to meet them."

The sole question in this case is, Was Dorchester bound by the action of the Merchants National Bank in presenting his draft on the House Bank through the clearing-house at Houston? It is undisputed that the Merchants National Bank did not present the draft directly to the House Bank, and that the draft was not presented by or through the clearing-house to the House Bank before the latter bank was closed on the last day which the law allowed for the presentation of it. It is also unquestionable that if the draft had been presented by the Merchants National Bank to the House Bank before it closed on the 17th of the month. it would have been paid, and that the failure to so present it caused the failure of collection; the House Bank having closed and gone into bankruptcy at the closing hour of that day.

The Court of Civil Appeals assumes that Dorchester knew of the existence of the clearing-house in Houston, and that the Merchants Bank was a member thereof. and also knew that the Merchants Bank was in the habit of presenting drafts on members committed to its care for collection to the clearing-house for adjustment. But there is no evidence whatever that Dorchester authorized, or had ever approved of, that method of collection. The issue between the parties in this litigation is whether the failure of the Merchants Bank to present the draft to the House Bank within the time prescribed by law was negligence on its part which would render it liable on the failure to collect the draft, although it had presented the draft in the regular way prescribed by its rules to the clearing-house, and adjustment was made between the banks, crediting the Merchants Bank and charging the House Bank.

Certain banks in Houston, possibly all, had formed themselves into a voluntary association called a "clearing-house," of which the defendant in error and the House Bank were members. The clearing-house had rules for the government of its members, to the effect that all drafts drawn against any bank member of the clearing-house, and held for collection by a bank member of the clearing-house, might be presented to the clearing-house within a given time, in order that it might be adjusted in the general settlement of the claims between the bank members. At a certain hour the balance was ascertained, by which each member was charged with the drafts or claims presented against it. and allowed credit for the claims which it held against other banks of the association. If the balance should be in favor of a bank, then it would receive a check or checks for the amount of the difference in his favor against some bank or banks which were indebted to the clearing-house, and thus the claim would be settled. The debtor banks were thus made liable to the clearing-house for the amounts in which they were debtor upon the final settlement, and were subject to the checks drawn in favor of the creditor banks for the sum due to each of such banks.

The Merchants Bank and the T. W. House Bank were each debtor banks on the day on which this claim was presented. On striking the balance the Merchants Bank was indebted $104,000, after receiving credit for all drafts held by it, including the draft on the House Bank. and the House Bank was indebted $21,000. It is evident from the rules stated, and the transaction in the clearing-house, that the Merchants Bank received credit for the sum of $1,563.33, being the draft in question in this suit, that amount being charged against the House Bank by the clearing-house association, for which sum the defendant in error was required to account to the clearing-

house. The draft was drawn in favor of Dorchester and delivered to the Merchants Bank against the House Bank was not presented for payment, either by the Merchants Bank or by the clearing-house on that day, but was submitted to some officer or employee of the bank for the purpose of verifying the signature and the genuineness of the draft.

OPINION OF THE COURT

BROWN, C. J.: The evidence is undisputed that if the draft had been presented to the House Bank before it closed business at 3 o'clock on the 17th day of the month, as the law required it should be, it would have been paid. Not having been so presented within the time required by law, the drawer of the draft was discharged from liability to the receiver, Dorchester, and he lost, by reason of the failure to present it as the law required, the amount of that draft.

Was the Merchants Bank negligent in not presenting the draft to the House Bank for payment? In other words, was Dorchester bound by the action of the Merchants Bank in using the clearing-house method of settling this claim?

In order to simplify the issue, we will assume that Dorchester did know that the Merchants Bank and the House Bank were members of the clearing-house, and did know that the Merchants Bank was in the habit of adjusting its claims against other bank members of the same clearing-house by presenting such claims to that organization for adjustment.

The law prescribed as the measure of diligence in this case that the draft received by the Merchants Bank on the 16th of the month should be presented to the House Bank within banking hours on the 17th, the next day after Dorchester received it. (Morse on Banks and Banking, vol. 2, § 421.) Other citations to this point would be superfluous.

The excuse offered, and sustained by the Court of Civil Appeals, was that it was the custom of the banks which belonged to the clearing-house, and of all banks in Houston, to present such drafts to the clearing-house for adjustment, which fact was known to Dorchester. The defendant in error submitted the draft to the clearing-house in Houston on the 17th of October, in accordance with the rules of that association, which the Court of Civil Appeals held to be a sufficient discharge of its duty, citing Bank vs. Triplett, 1 Pet. (U. S.) 80, 7 L. Ed. 37, and Morse on Banks and Banking, vol. 1, §§ 214-219. The authorities cited are not applicable to the facts of this case. The law applicable to the facts of the present case is stated in Morse on Banks and Banking, § 421, as follows:

"(b) 1. All drafts, foreign or inland, must be presented to the drawee within a reasonable time, and in case of non-payment prompt notice must be given to the drawer and indorsers. What is a reasonable time depends on the circumstances of each case, and is sometimes a very difficult question. The relations of the parties, the time, mode and place of receiving the check, must be considered, and whether the check is postdated or not.

"The presumption is that a check would have been paid if diligently presented. And what is due diligence is, as a general rule, a question for the jury.

"(c) 2. The drawer cannot (except by agreement or under special circumstances as above) be held absolutely beyond the business hours of the day following his delivery of the check, if the bank is in the same place, or if the bank is in another place, the period of his liability will be until the close of business hours on the first secular day following the receipt of the check by someone in the bank's locus, the check having been mailed upon the day following its delivery by the drawer."

It being the duty of the receiving bank, defendant in error, to its depositor, Dorchester, to present the draft during banking hours of the next day,

the 17th of October, it, the receiving bank, could not bind the depositor, Dorchester, by conforming to the rules of the clearing-house, which were at variance with the laws. "The rights of a non-member depositor in a member bank are not affected by the clearing rules, nor can he take advantage of them." 1 Morse on Banks and Banking, § 351; Bank vs. Bank, 139 Mass. 513; Overman vs. Hoboken City Bank, 31 N. J. Law, 568. The opinion in the last case cited discusses the relation of a depositor to a clearing-house of which it is not a member with convincing clearness. The facts were very similar to the present case. It was distinctly held that a non-member of a clearing-house was not bound by its rules, and a member bank which adopted the methods of the clearing-house did not bind its depositor.

The drawer of a bill of exchange has the legal right to have it presented for payment to the drawee within the time prescribed by law, and the payee is charged with the diligent performance of that duty. The agent of the payee has no more liberty in the collection than the principal; either must present the draft within the business hours of the second day, when, as in this case, the payee and drawee reside in the same city. The fact that parties to the instrument are members of a clearing-house association cannot vary the rules of legal diligence in discharge of duties to a non-member.

The effect of the rule applied by the Court of Civil Appeals is exemplified by this case. The failure of the Merchants Bank to present the draft at the House Bank according to law operated to discharge the oil company because of want of diligence, but the same acts are held to constitute diligence as to Dorchester. This cannot be a logical and legal result, unless Dorchester is to be held bound by the rules of the clearing-house of which he was not a member. He was not so bound under the law of the land

The trial judge made an excellent statement of the facts of the case and rendered a correct judgment thereon, which the Court of Civil Appeals erroneously reversed, and rendered judgment for the Merchants Bank.

It is ordered that the judgment of the Court of Civil Appeals be, and it is hereby, reversed, and the judgment of the district court is affirmed.

(163 S. W. Rep. 5.)

Partnership Indorsement

MASSACHUSETTS

Liability of Partner on Individual Indorsement—Negotiable Instruments Law

Supreme Judicial Court of Massachusetts, Middlesex, Feb. 25, 1914.

FOURTH NAT. BANK AND WINTHROP NAT. BANK VS. MEAD.

Where a partner individually indorses commercial paper made by his firm before delivery, he is a person not otherwise a party, and is liable as an indorser.

STATEMENT OF FACT AND OPINION

RUGG, C. J.: A partnership composed of Edward C. Mead and William M. Mason, made, payable to the order of each of the plaintiffs, promissory notes signed with the firm name of Mead, Mason & Company, and each partner endorsed them before delivery in his individual name. The point at issue is whether such notes can be proved against both the partnership estate and the estates of the individual partners.

The decision depends upon the meaning of the Negotiable Instrument Act as applied to these facts. Its pertinent provisions are:

1R. L. chapter 73: "Section 34. Where the language of the instrument is ambiguous, or there are omissions therein, the following rules of construction apply: * * *

"6. Where a signature is so placed upon the instrument that it is not clear in what capacity the person making the same in-

tended to sign he is to be deemed an indorser."

"Section 80. A person placing his signature upon an instrument otherwise than as maker, drawer or acceptor is deemed to be an indorser, unless he clearly indicates by appropriate words his intention to be bound in some other capacity."

"Section 81. Where a person, not otherwise a party to an instrument, places thereon his signature in blank before delivery, he is liable as indorser in accordance with the following rules:

"1. If the instrument is payable to the order of a third person he is liable to the payee and to all subsequent parties;

"2. If the instrument is payable to the order of the maker or drawer, or is payable to bearer, he is liable to all parties subsequent to the maker or drawer;

"3. If he signs for the accommodation of the payee he is liable to all parties subsequent to the payee."

The argument is urged that the words in Section 81, to the effect that "a person, not otherwise a party to an instrument," cannot apply to one of a partnership so signing, for the reason that he is already a party to the instrument by virtue of being a member of the partnership.

This contention cannot be supported. It had been decided before the enactment of the Negotiable Instruments Act that a partner indorsing individually was a party different from the partnership and thereby might incur a double liability arising from the two distinct contracts by which he had bound himself. Roger Williams National Bank vs. Hall, 160 Mass. 171. Since the passage of the act. it was said in Faneuil Hall National Bank vs. Meloon, 183 Mass. 66, respecting the liability of partners indorsing a partnership note as individuals that they "were none the less indorsers and none the less liable as such because they were also liable as members of the firm which made the note."

Apart from authority this conclusion is sound. The purpose of the Negotiable Instruments Act was to make uniform throughout the United States the law upon commercial paper by means of the adoption by the Legislatures of the several States and by Congress of substantially identical statutes. Union Trust Company vs. McGinty, 212 Mass. 205. The law among the several States had been in great confusion touching the nature of the liability of the person who was neither maker nor payee and who placed his name upon the back of the instrument before its delivery. But, so far as we are aware, everywhere such indorsement was treated as conferring greater security to the paper.

Our own law was settled that, although entitled to notice as an indorser, in all other respects he was co-maker. Brooks vs. Stackpole, 168 Mass. 537. This is changed by the act and a person so signing now is treated as an indorser. The liability of a partner indorsing before delivery the paper of his firm heretofore has been treated as distinct from that incurred by him as copartner. It adds in many instances to the value and to the ease of sale of the firm paper. This rule of law ought not to be treated as abrogated unless plainly required by the terms of the act.

Construing with accuracy the crucial words of Section 81, a person who as an individual signs upon the back of a promissory note is "not otherwise a party to" that instrument in the same capacity because liable through membership in the firm whose name appears as maker. In the sense in which the word "party" there is used, the partnership which makes the note is the "party" liable as maker, although there may flow as a subsidiary inference of law an individual liability of each partner in default of firm assets. In this aspect and for this purpose the partnership may be treated as personified and as an entity separate from the individuals who compose it. See United States vs. Adams Express Company, 229 U. S. 381.

Moreover, the act is designed in part as a codification for the practical use of business men. It ought to be interpreted so as to be a help and not a hindrance to the easy ascertainment of the rights and liabilities of the several parties to commercial paper. To this end the words in Section 81, "a

person, not otherwise a party," must refer to one who appears and can be recognized from that which is written within the four corners of the instrument as a "party." Partnerships often assume a style or designation which affords no clew to those who are its members. It might not infrequently be a hardship to compel the holder of firm paper which bears an indorsement made before delivery to ascertain at his peril whether the person making such indorsement was "otherwise a party to the instrument" through being one of the partnership which was maker.

The act treats every party to negotiable paper, whose status is not clear, as an indorser. See Section 34, clause 6 and Section 80.

The result is that a partner who individually indorses before delivery commercial paper made by his firm is a "person, not otherwise a party" in the sense in which those words are employed in Section 81. It follows that the claims of each of the plaintiffs should be allowed against the estate of the deceased partner.

Decree accordingly.

(104 N. E. Rep. 377.)

Gifts in Form of Bank Deposits

CONNECTICUT

Supreme Court of Errors of Connecticut, April 16, 1914.

MERIDEN TRUST AND SAFE DEPOSIT CO. ET AL. VS. MILLER ET AL.

Deposits of moneys in a savings bank by a donor who retains possession of the bank book in the name of a donee, with the intention of making a present gift thereof, and with notice to the donee of such gift and an acceptance of the same, constitutes in law an accepted gift.

ACTION by the Meriden Trust & Safe Deposit Company and others against I. Burton Miller and others. Judgment for two of the defendants, and the plaintiffs and another defendant appeal. Affirmed.

STATEMENT OF FACT

THE plaintiffs are the administrators of Hezekiah H. Miller, who died October 22, 1911, leaving three children, the defendants, I. Burton Miller, Charles B. Miller and Mrs. Nettie M. Kirschner, who were his only heirs-at-law. Mrs. Miller, the mother of these three children, died October 18, 1905, leaving legacies of $500 to her sons, I. Burton and Charles B., and the residue of her estate, $13,-213.72, to her daughter, Mrs. Kirschner.

Shortly after the death of their mother, Mr. Miller told each of his sons that he was not satisfied with the division of their mother's estate, and purposed giving to each son a sufficient amount to equalize their legacies with that of Mrs. Kirschner's under their mother's will. In pursuance of this purpose he deposited with eight different savings banks various sums to the credit of each son.

Many of these accounts were opened by a transfer of deposits standing in the name of Mr. Miller to the name of these sons. At the time of making each deposit to the account of each son, he notified him that he had made the same as a gift, and also told each son that he had made, or was making, a similar deposit for the benefit of the other son.

At these times he procured from his sons for each of said banks which did not have them, their signatures upon slips or cards furnished by the banks, and then returned them to the banks. At these times he also stated that he desired to possess the power to use a part of the moneys so deposited if he should desire to do so. In order to give their father such power, the sons signed blank orders upon each of the accounts, which the father accepted. Mr. Miller only used four of these orders, aggregating $800.

At Mr. Miller's death all of these orders were in his safe-depoit box, with the bank books, which he had always kept. To this box I. Burton Miller, as deputy to his father, had a right

of access. Shortly before his death, and after making the last of the deposits, he told each of his sons the approximate total, given him by these deposits, stating that he had made a similar gift to the other. Each son made demand upon the plaintiff company as administrator for the deposit books standing in his name. In making these deposits Mr. Miller intended to make a present gift to his sons of the deposits in their names, and to make them the absolute owners thereof, and to divest himself of all control over said moneys, and then to rely upon the gratitude of the sons to give him the right to exercise their dominion over the moneys for his own benefit to such extent as he might desire.

OPINION OF THE COURT

WHEELER, J.: This action is brought by the plaintiffs as administrators of H. H. Miller against eight savings banks and three children of said H. H. Miller, to determine the ownership of such deposits. The plaintiffs pray judgment that the deposits belong to them, and that two of the children, Charles B. Miller and I. Burton Miller, be required to set forth their respective claims to the deposits. One of the defendants and children, Mrs. Kirschner, answers, praying judgment that the plaintiffs have title to said deposits. Two of the defendants and children, Charles B. Miller and I. Burton Miller, answer, setting forth certain facts upon which each bases his title to the books standing in his name, and so prays judgment. All of the other defendants, except two of the banks, made default of appearance. These two did not, and do not, press any claim to the deposits in their banks.

After hearing had, an interlocutory judgment was entered by the superior court, adjudging that Charles B. Miller and I. Burton Miller interplead with plaintiffs and defendant, Mrs. Kirschner. Thereupon Charles B. and I. Burton Miller and Mrs. Kirschner stipulated that the pleadings heretofore filed "shall constitute the statement of their respective claims provided for by the interlocutory judgment of interpleader." Trial was had, and judgment rendered that the deposits on the books standing in the name of I. Burton Miller and Charles B. Miller were owned by them. From this judgment the plaintiffs, administrators and Mrs. Kirschner have taken this appeal. * * *

* * * We, therefore, without approving the course pursued or recognizing the remedy adopted as a proper one, will dispose of the case as the interlocutory judgment of the superior court contemplated, since all the parties in interest are before the court, and their claims have been fully heard. We dispose of the appeal to end litigation.

The corrections of the findings sought, under the remedy provided by G. S. § 797, so far as the same are of moment, relate to the finding that Mr. Miller's intention in making these deposits was to make present gifts and pass title to them at the time the deposits were transferred to the donees and accepted by them. The evidence before the court required it to find that Mr. Miller made these deposits in the names of his sons, with the motive of equalizing the sums received by their sister from their mother, that he notified them of each deposit, and that they were gifts to them, which they accepted, and that he procured from them their signatures to slips or cards, and filed the same with the banks.

Had these been all the facts before the court, the inference that the father intended to make present gifts and vest the title in the sons from the time of making the deposits would have been inevitable. But the appellants claim that, even though these inferences might have been drawn from these facts standing alone, they are not permissible when taken in connection with the fact that blank orders were given on these deposits by the donees to the donor at his request.

We find a sufficient answer to this claim in the fact that these orders

were given after the deposits were made, the signatures obtained, the intent to make the gifts made plain, the notice of this intent given, and the acceptance of the gifts had. We think the finding of the intent to make present gifts was an inference of fact open to the trial court to draw from a consideration of all the facts, including the giving of the blank orders.

A question of intent is a question of fact unless that conclusion is one which could not reasonably be drawn. (Humiston vs. Preston, 66 Conn. 579; Harris vs. Spencer, 71 Conn. 233; Brosty vs. Thompson, 79 Conn. 133.)

Correction is asked of the finding that the sons exercised dominion over these funds, which the father recognized. We think the inferences were fairly open to the court to have made.

The facts found show that delivery was made, and no sufficient reason has been furnished for changing these.

If the finding is not to be corrected, the defendants claim that the giving of these blank orders as matter of law disputes conclusively the inferences of intent and delivery. We cannot so agree. The deposits of moneys in a savings bank by a donor who retains possession of the bank book in the name of a donee, with the intention of making a present gift thereof, and with notice to the donee of such gift and an acceptance of the same, constitutes in law an accepted gift. Upon his acceptance, the donee's title to the deposit is absolute. All title and right of possession have passed from the donor to the donee. Kerrigan vs. Rautigan. 43 Conn. 17; Buckingham's Appeal, 60 Conn. 143; Main's Appeal, 73 Conn. 638; Candee vs. Conn. Savings Bank, 81 Conn. 372.

There are various ways in which such gifts have been made, and upheld by us. In each we found present, as we do here, the requisites of a valid gift inter vivos, delivery of possession to the donee, and intent to pass title with the possession, immediately. In each case the beneficial interest was given. In each the gift was irrevocable. The delivery may be actual, or as here, constructive, manifested by the opening of the accounts, the notice to the donees, their acceptance and acts of dominion over the fund. The blank orders on these deposits were always subject to the control of these donees, for they were, until used, revocable. The donees had the right to draw orders on these funds, for they could use their own at their will. Crane vs. Brewer, 73 N. J. Eq. 560.

There is no error.

(90 Atlantic Rep. 228.)

Payment on Forged Deed

COLORADO

Liability of Bank for Payment in Good Faith on Forged Deed

Supreme Court of Colorado, Feb. 2, 1914.

BOATSMAN VS. STOCKMEN'S NAT. BANK.

ACTION by John Boatsman, administrator of Carroll Nichols, deceased, against the Stockmen's National Bank. Judgment for defendant, and plaintiff brings error. Affirmed.

STATEMENT OF FACT

CARROLL NICHOLS, a real estate dealer at the town of Morrill, Scotts Bluff County, Nebraska, died in April, 1911. John Boatsman, as administrator of his estate, brought this action in the district court of Morgan county, against the Stockmen's National Bank of Brush, Colorado, by which it is sought to recover $1.500.00 and interest alleged to have been wrongfully paid out by it on account of Nichols to one H. M. Warren on a forged deed.

The land involved in the controversy is situate in Scotts Bluff county, Nebraska, and is owned by Charles E. Murphy, a resident of Utah. Warren

was also a real estate dealer, residing at Mitchell, Nebraska, near Morrill. Nichols knew Warren, but did not knew Murphy.

On May 23d, 1910, Warren wrote Nichols a letter in the name of Murphy, proposing a quick sale of the land and soliciting an offer therefor. The name of Murphy was wrongfully used, without his knowledge or consent, throughout the whole transaction. In answer to that letter Nichols telegraphed an offer of $2,500.00 for the land. Warren acknowledged receipt of the offer in a letter dated May 25th, 1910. Four days later Warren again wrote Nichols, directing him to send the deed to the defendant bank at Brush, Colorado, for execution, with draft to pay for the land. The deed, naming Boatsman as grantee, who loaned Nichols the money to buy, was accordingly mailed by Nichols to Murphy at Brush, Colorado, which Warren received and thereupon executed, as Murphy, acknowledged the same before a notary public, presented it to the defendant bank and requested payment of the $2,500.00.

Finding no money at the bank, he requested it to telegraph to the Farmers and Merchants Bank of Morrill, Nebraska, with whom Nichols did business, with the following result:

"Brush, Colo. 6—1st '10
"Farmers and Merchants Bank
"Morrill Nebraska

"Deed Chas Murphy to John Boatsman duly executed and in our hand. Murphy wants money wired to this bank at once or will call deal off.

"Stockmens Natl. Bank."

"June 2, 1910
"Stockmens National Bank,
"Brush, Colo.

"If warranty deed is regular, pay Charles Murphy twenty-five hundred dollars. We remit. Register deed to us.

"Farmers & Merchants Bank
"Morrill, Nebraska."

The defendant bank thereupon paid Warren $1,500.00 cash and a $1,000.00 draft on the City National Bank of Omaha, Nebraska, and took the deed for delivery. The following September the imposition was discovered and payment stopped on the draft. Soon thereafter Warren was tried, convicted and sentenced to a term in the Colorado penitentiary on a plea of guilty to a charge of forgery.

Nichols demanded of the defendant bank the return of the $1,500.00 paid to Warren believing him to be Murphy. The bank refused payment and this suit followed.

OPINION OF THE COURT

BAILEY, J.: The gist of the complaint is that the defendant bank negligently paid the imposter $1,500.00. In such cases the controlling inquiry is whether the drawer, by failure to use ordinary diligence to avert a loss, has so increased the risk and responsibility of the drawee as to take the case out of the general rule of liability for payment of money on a forged instrument. When the facts show that such is the case, it is uniformly held that the drawer must bear the loss.

It will be presumed that the defendant bank had full knowledge of all dealings between Nichols and Warren, pretending to be Murphy, which the complaint discloses. The deception was complete as to both the defendant bank and Nichols. Warren appeared at the bank with the deed which Nichols had prepared and forwarded, purporting to be duly executed by Charles E. Murphy before a notary public. The defendant bank telegraphed the Nebraska bank, with whom Nichols did business, that Charles Murphy had presented the deed and awaited immediate remittance or the deal would fail. Nichols forthwith sent the money, and the defendant bank thereupon accepted the deed and made payment. By the letter of May 29 Warren requested Nichols to make the draft payable to bearer to avoid identification, as he was not known in that community, and stated that he was very anxious to get the matter off his hands, that the ac-

ceptance of the price offered was a great sacrifice on his part and must be acted upon immediately if at all. This is substantially a reiteration in these particulars of the letter of May 25th, four days earlier. Such statement might well have aroused the suspicion of an ordinary business man in dealing with a stranger and put him on inquiry. But the attitude of Nichols is shown by the fact that he acted in harmony with every suggestion of Warren.

The record fails to show that he took any precaution for his own protection against this stranger. Evidently the price asked was low, and Nichols was so thoroughly interested in making an advantageous deal that he completely lost sight of the possibility of deception. By mailing the deed to the stranger for execution, he not only placed in his hands an instrument peculiarly well adapted to perpetrate a fraud upon the bank, but so increased its ordinary risk as to take the case out of the general rule applicable in cases of payment of money on forged instruments.

The bank was fully justified, in the circumstances of this case, in paying the money to the person presenting the deed duly acknowledged, and it discharged every duty imposed upon it by law to escape liability. The law will not permit a drawer who has, through lack of diligence, been misled into making a direction for the payment of money on a forged deed, to shift the burden of loss by placing an undue and extraordinary responsibility upon the drawee bank.

The representative of Nichols is here contending that such extraordinary risk attaches to the bank, notwithstanding the total failure of Nichols to use even the most ordinary means to prevent deception. The rule of law which he claims is applicable does not reach the present situation. Generally on payment of money on a forged instrument, in the absence of negligence on the part of the depositor whose check it purports to be, the bank cannot charge the amount to his account. 5 Cyc. 544. But where there is a failure on the part of the depositor to use diligence to avert a loss, and such we think may fairly be said to be the fact in the present dispute, a different rule applies. The rule is stated in the case of Land Title & Trust Company vs. Northwestern National Bank, 196 Pa. 230, as follows:

"The reason of the rule that when a bank pays a depositor's check on a forged indorsement, or a raised check, it is held to have paid it out of its own funds and cannot charge the payment to the depositor's account, is that there is an implied agreement by the bank with its depositor that it will not disburse the money standing to his credit, except on his order. * * * It is confined to cases in which the depositor has done nothing to increase the risk of the bank. It should not apply when the check is issued to one whom the drawer intends to designate as the payee: First, because in such a case the risk is not the ordinary risk assumed by the bank in its implied contract with its depositor, but a largely increased risk, as it follows that a check thus fraudulently obtained will be fraudulently used; the bank is deprived of the protection afforded by the fact that a bona fide holder of a check will exercise care to preserve it from loss or theft, which are the ordinary risks; there is thrown upon the bank the risk of antecedent fraud practised upon the drawer of the check, of which it has neither knowledge nor means of knowledge." Iron City Nat. Bank vs. Fort Pitt Nat. Bank, 159 Pa. 47; Bank of England vs. Vagliano Bros. (1891) A. C. 107.

And in Murphy vs. Metropolitan National Bank, 191 Mass. 159, citing numerous authorities supporting it, this is said:

"The ordinary rule is well established that a banker, on whom a check is drawn, must ascertain at his peril the identity of the person named in it as payee. It is only when he is misled by some negligence or other fault of the drawer, that he can set up his own

mistake in this particular against the drawer."

Under the facts here disclosed the way was made plain and easy for the perpetration of a fraud upon the bank through lack of care on the part of Nichols in sending a deed for execution to a stranger, and in arming him with letters and telegrams which, together with the deed, could be presented to the bank as a means of identification, so that the purchase price would be paid to him, a perfectly natural and proper thing, under such circumstances, for the bank to do.

The matter is thus reduced to the simple proposition that where two innocent parties have both been deceived, the loss must be borne by the one who primarily made such loss possible. The vital mistake was made by Nichols in dealing with Warren believing him to be Murphy.

"It has been ruled, too, that when the parties to a transaction are innocent, if the loss must fall upon one, it should be upon the one who in law most essentially facilitated the fraud. Stout vs. Benoist, 39 Mo. 281 [90 Am. Dec. 466]. And so it has been held in respect to two persons equally innocent, where one is bound to know and act upon his own knowledge, and the other has no means of knowledge, there is no reason for burdening the latter with the loss in exoneration of the former, or, if both the equally innocent and equally ignorant, the loss should remain where the chances of business have placed it. United States vs. Bank, supra [C. C.] 45 Fed. 163; Bank vs. Bank, 17 Mass. 33; Bank vs. Bank, 10 Wheat. 333[L. Ed. 334]; Price vs. Neal, 3 Burrows, 1355.

Moreover, under the facts disclosed, it appears that the money was paid to the very person to whom Nichols actually intended it should be, the one through whose agency the transaction was brought about. It is idle to say, as does plaintiff, that Nichols never in fact dealt with Warren, the imposter; this contention only goes to show that the deception was complete. It would be to disregard substantial facts to say that the actual intent of Nichols, because he mistook his physical payee, Warren, for his mental payee, Murphy, was not met by payment to the former. Nichols did not deal merely with the name "Charles E. Murphy," but rather with the physical entity, the human agency indicated by that name, the one who quickened him to action. The true Charles Murphy was unknown to Nichols, and he naturally had in mind only a man with this land to sell, the person with whom he corresponded, Warren. He meant the money to be paid, and it was paid, to that identical person, and the estate of Nichols must, therefore, as against the bank, bear the loss, for his actual intent was in fact carried out. Names are used as one method only of indicating identity of person, and are in no sense conclusive on this proposition. Meyer vs. Indiana Nat. Bank, 27 Ind. App. 354.

The entire chain of circumstances shows that it was the intent of Nichols that the man, whether his name was Warren or Murphy, with whom he had been negotiating for the purchase of the land, was the person to whom the purchase price, upon the conclusion of the deal, should be paid. This intention is first manifest when in reply to the letter offering the land for sale, Nichols telegraphed, specifying the price which he was willing to pay; it continued when the second and third letters came from Warren and Nichols prepared and forwarded the deed for execution, pursuant to Warren's instructions, and in fact throughout the entire correspondence, by means of which the deal was finally consummated and the purchase price paid.

The complaint, in minute detail, sets forth substantially all the facts surrounding this entire transaction, and clearly demonstrates that no liability attaches to the bank. The demurrer was, therefore, properly sustained and the cause dismissed.

Judgment affirmed.

(138 Pac. Rep. 764.)

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

"NO PROTEST"—EFFECT OF WAIVER OF PROTEST ON CHECK

New York, June 14, 1914.

Editor Bankers Magazine:

Sir: We would like your opinion on the following question:

When "no protest" is written on the face of a check and delivered to payee, can the check be protested and can the protest fees be collected?

The case in question is where check was delivered to payee and went through several hands before being presented for payment at the bank on which it was drawn.

Thanking you in advance for your courtesy in replying, we are, etc.

Very truly yours,
Cashier.

Answer: The protest of negotiable instruments had its origin in the custom of merchants, from which has sprung so many of our mercantile laws. Before a merchant in one country who had drawn a bill on another merchant in another country, which had been dishonored, could be compelled to take it up, the presentment and dishonor had to be proven to his satisfaction. This function was performed by a notary public, making formal statement of the presentment and dishonor, and the custom has persisted ever since. There had to be, first, a legal demand by the notary and then notice to the parties that the instrument had been dishonored. Ever since the seventeenth century this has been the rule, and still obtains in law and practice.

The liability of an indorser, in addition to other things, is that he engages upon due presentment that the instrument shall be accepted or paid, according to its tenor; and if dishonored, and the necessary proceedings on dishonor be taken, he will pay the amount to the holder, or to any subsequent holder who may be compelled to pay it.

The purpose of the notice of protest or dishonor then, is to hold the endorser liable according to his agreement. But only foreign bills of exchange (bills drawn in one country and payable in another, or bills drawn in one State and payable in another) must be protested. Other bills may be protested and generally are, the reason being that in case the presentment is disputed, the formal notice of protest will stand as prima facie evidence of the presentment and dishonor.

Parties to such instruments sometimes waive the protest, either by embodying in the instrument terms to this effect, or by a written or printed slip attached with the words "no protest" or "protest waived," or written memorandum thereon. By the Negotiable Instruments Law, such waiver of protest not only dispenses with the formal protest, but also of presentment of the instrument and notice of dishonor.

In a Kentucky case a draft had written across its face "no protest." The drawer was sued and contended he was not liable in that it had not been protested. The court held that the words waived the protest. In a North Carolina case (Shaw vs. McNeil, 95 N. C. 535) the same words were used. The indorser claimed he was discharged because he had not been notified. But the court said: "The words 'no protest' written on the margin of this draft must have been put there with an object, and we can conceive of none other than to dispense with the notice of presentment and refusal to pay, otherwise it is unmeaning."

Where the words of waiver are not a part of the instrument, but are attached by a slip of paper, or are on a perforated stub, as many protest waivers are, the difficulty arises in proving the waiver against certain parties, particularly in the case of an attached slip. If it is taken for granted that the notice arose from a certain indorser, it might have postdated his indorsement.

Where the waiver of protest is embodied in the instrument itself it is binding upon all parties thereto; but where it is merely written above the signature of an indorser it binds him only. (Neg. Inst. Law, 181.)

On many forms of collection letters notation is made to the effect that certain items marked with a cross (x) are to be or not to be protested. Some letters advise the protest of all items unless otherwise instructed.

It frequently happens that a bank will regard a notice on the instrument and disregard the instructions in the letter and fail to protest an item so marked, and return, only to find that its correspondent intended it to have been protested; and on the contrary banks have protested such items, deducting the fees, only to have a controversy with its correspondent over the fees. The question is more often one concerning the fees than the legal effect of the waiver of protest.

There is a very marked difference of opinion as to whether such instructions should be followed. Where it is the apparent duty of a bank to protest an item in order to charge the prior indorsers, it would clearly be negligence not to protest; and where it is not necessary so to do, it is often advisable.

Where an item is marked "no protest" and the letter of advice requires protest, the instructions of the principal should always be followed. Obviously, a "no protest" confirmed by the principal is sufficient to dispense with protest. Instructions to protest all items unless otherwise ordered in letter of advice, puts the burden upon the sending bank if dispute as to fees arise.

If "no protest" means anything, it means that protest is waived, and if no mention is made of protest in the letter, it is clear on the face that the sending bank intended this notice to follow. And all parties are held to the notice who have handled the paper.

Where, therefore, protest is made of such an item, and fees are sought to be collected, it is obvious that the bank has done nothing that the law required it to do in order to charge indorsers.

Inasmuch as the waiver is on the face of the instrument, all parties taking it have notice of the waiver and thereby agree to be bound without the usual steps. And protest being for the purpose of holding the endorsers, and the endorsers being held without the protest, it follows that no legal action on the part of the notary being necessary, the fee could not be collected.

Looking at the question from a practical standpoint, it would seem the better part of wisdom that when the "no protest" is part of the instrument (as on a perforated slip) there could be no question that it was part of the instrument from the beginning and was notice to all parties; but where it is otherwise attached, it opens the question as to who put it there; and for the sake of being on the safe side, protest should be made as a matter of precaution, leaving the fees to adjust themselves. In any event, this would not be a serious item in the course of a year, and might well be waived for the sake of the security obtained by taking due precaution to preserve the rights of the parties to the instrument.

ACCOMMODATION INDORSER

DES MOINES, IOWA, July 6, 1914.

Editor Bankers Magazine:

SIR: Will you please answer through your columns the following question: What recourse would a bank have on a party who signs his name in blank on the back of a note made payable to the bank and signed by a third party?

I have been informed that such a party assumes the same liability for the payment of note as a guarantor or endorser, but would not be classed as such in the examination of a bank. Thanking you in advance, I remain, etc.

CASHIER.

Answer: By the Negotiable Instruments Law, in force in Iowa, where a signature is so placed on the instrument that it is not clear in what ca-

pacity the person making the same intended to sign, he is deemed an indorser; and in the case you mention, would be judged as such.

Assuming the indorsement to be made without consideration, he would be an accommodation indorser. The liability of such a person to a holder for value is the same as if the indorsement were in the regular order. Even though the holder knows the party to be an accommodation indorser, the latter is liable.

An accommodation endorsement is, strictly speaking, a loan of the maker's credit, without instructions as to the manner of its use. The maker cannot set up as a defense that the note was given without consideration, for this would defeat the purpose for which the indorsement was made. As respects third persons, the law considers him in the character he has assumed, and will not permit him to allege that the paper to which he gave his name was an imposition, nor to gainsay its reality by proof that it was fiction. You could hold him as you could any indorser, and proceed against him as such.

The holder of a note may recover against an accommodation endorser, though he had notice of the character of the indorsement. (Packhard vs. Windholz, 88 N. Y. App. Div. 365; Neal vs. Scherber, 207 Mass. 323.) The fact that a note was made for the accommodation of a third person is no defense to an action by the holder though he had notice of the fact. (First Nat. Bank vs. Lang, 94 Minn. 261.)

Individual Ledger Control Account

Method of Balancing Individual Ledgers

C. D. STEVENS, district instructor of the St. Louis office of the Burroughs Adding Machine Company, has suggested a plan for balancing the individual bank ledger after the postings have all been made. He also furnishes a suggestion for an individual ledger control account which seems to be original. It may be made up on a regular sheet as shown and carried in the back of the ledger.

In writing concerning his method of proof and the ledger control account, Mr. Stevens says:

"I have made installations in banks where their accounts average from 800 to 2,700, with one machine only doing the ledger posting, and in each case the work has been taken over successfully with much saving of time.

"While posting we have found it much better to offset the ledger sheet

SHEET NO ______

INDIVIDUAL LEDGER ______ NAME

CONTROL ACCOUNT ______ ADDRESS

OLD BALANCE	CHECKS			DEPOSITS		BALANCE	OVERDRAFT
OLD BLACK BAL	TOTAL CHECKS	DECREASE OVERDRAFT (SUB)	INCREASE OVERDRAFT (ADD)		TOTAL DEPOSITS	TOTAL BLACK BAL	TOTAL OVERDRAFT
				DEC 31		350,000.00	550.00
350,000.00	6,750.00 -	51.00 -		JAN 2	9,500.00	352,699.00 •	499.00
352,699.00	8,045.00 -		47.00	3	8,500.00	353,201.00 •	546.00
353,201.00	8,565.00 -	56.00 -		4	1,535.00	346,115.00 •	490.00
346,115.00	1,535.00 -		7500	5	2,045.00	346,700.00 •	415.00

rather than to employ the use of markers, for the reason that operators will forget to insert a marker, but will remember to offset the sheet. Markers also have a tendency to congest the ledger.

"All accounts showing both old and new balances 'in black' on either old or new balance 'in black' should be offset to the top or left side of the ledger. All accounts showing both old and new balances 'in red' (O. D.) should be offset at the bottom or right side of the ledger.

"When statements are not made, two runs of the active accounts for the day are necessary in securing proof.

"On the first run 'black balances' only are listed. placing old balance on upper position and new balance on lower position.

"When we reach an account which shows either old or new balance 'in red' (O. D.) the black balance only is listed and the ledger sheet is passed over to the right in order to throw all (O. D.) together.

"On the second run, which is a very short one, list 'red balances' only, placing the old overdraft in the upper position and new O. D. in the lower position. By combining the two differences between old and new balances, the result should equal difference betwen checks and deposits.

"It is necessary to furnish banks with total overdraft, also increase or decrease in overdraft; therefore, the two runs are necessary.

"After our proof has been secured a 'Control Account' (copy attached) should be prepared, and placed in the back of each ledger. Should we have, say, four ledgers, the 'total control' must balance with the general ledger."

Origin and Development of the Safety Deposit

(Continued from the July Number.)

By MILTON W. HARRISON

MODERN VAULT ORIGIN

THERE is a most interesting origin connected with the modern safety deposit vault. In terms of "strong rooms," "cash box," "deed box." "coffer" and "vault," it has steadily developed, depending to a great extent upon the development of locks.

To Charles Chubb of St. Paul's churchyard. London, and Thomas Wilner, a tinsmith of Sheffield, England, are attributed many of the early inventions for greater vault security. The latter is responsible for a remarkable system of fireproofing. He secured, in 1840, a patent which did much in protecting a vault from fire. The patent is described as, "constructing, forming or manufacturing boxes, safes or other depositories of an outer case of iron, or other metal, or material, enclosing one, two or more under-cases, with spaces or chambers between them, containing an absorbent material or composition such as porous wood, dust of wood, dust of bones, or similar substances, in which are distributed ves-

sels, pipes or tubes filled with alkaline solution or any other liquid matter evolving steam or moisture, the tubes or vessels bursting or otherwise discharging themselves on the exposure of the box or other depository to heat or fire, into the surrounding absorbent matter, which thus permeated with moisture, renders destruction difficult and protects the inner cases and their contents."

ACTION ON ROBBERY OF MESSRS. ROGERS & COMPANY

AN article in the London "Bankers Magazine" for April, 1845, on "The Protection of Bank Property," described and commented on the "recent robbery of Messrs. Rogers & Company," and the necessity for greater protection of "bankers' strong rooms" against felonious attacks and suggested the calling in of the aid of the greatest mechanical skill, with reference to locks and fastenings, and to exercise increasing care and vigilance, evidences the struggle of the early pioneers of the modern safe deposit vault. It is further stated, "we have recently had our confidence in the apparent security of an iron strong box door very much shaken, by the inspection of an instrument, most ingeniously and skillfully constructed, expressly for the purpose of tearing out the center locks of iron doors. It is in the possession of Messrs. Chubb of St. Paul's churchyard, and was presented to them by Colonel Rowan, the Commissioner of the metropolitan police, by whom it was taken from some burglars.

"It is impossible for us to describe this instrument (which, we understand, is well known to the thieving fraternity by the name of the 'Jack-in-the-box') without the aid of an engraving, but as Messrs. Chubb are polite enough to allow it to be inspected, we recommend our readers to call and see it. It is small in compass, so that it might be easily carried about the person, and yet it has the power of lifting three tons weight, and the pressure being applied to the keyhole of an iron door of the ordinary kind, it will force the door open without noise, in less than fifteen minutes.

"We have seen a portion of an iron door on which an attempt has been made by this instrument, but which was defeated, in consequence of a new arrangement of the lock, invented by Messrs. Chubb, which has removed the parts of the door on which the instrument must press, as a fulcrum, before it can act. But even in this case, the iron plates around the lock were broken away as if they had been merely cardboard.

"We have thought it right to bring these circumstances under the notice of our readers, for the subject is of such supreme importance that it cannot be too often considered.

"In all cases, where practicable, we would ourselves recommend the use of an iron bolt and grating, in addition to the iron door, the bolt to proceed through the floor of a sleeping room of the party having charge of the bank, and being immediately over the strong room, and to be fastened down by him every night.

"While noticing the subject of security from thieves, we may remark that several ingenious plans have been brought forward for protecting valuable documents from fire. We believe that Messrs. Rothschild have adopted Messrs. Chubb's 'well safe,' or strong room, which can be lowered every night so that it is completely imbedded in the earth, and it is a most valuable invention."

We can, indeed, appreciate the marvelous progress which has been made in the past seventy-five years in the safe-deposit vault, when we read this bit of information. Surely "necessity is the mother of invention." It is obvious that as defects appear only when the test comes, progress is advanced accordingly.

THE SAFE DEPOSIT COMPANY

THE riots, fires and numerous robberies just prior to the breaking out of civil strife in 1861, perhaps, contributed much toward the incorporation in the State of New York of the first safe deposit company, separate and distinct from a banking institution. There have been many causes claimed which induced incorporation The authenticity of most of them cannot, however, be vouched for. On September 24, 1912, the Rome (New York) "Republican" printed a squib, which stated:

'The safe deposit vault is an American idea and was developed at the time of the Civil War. Bank robberies were so frequent at that time that banks refused to take care of their customers' valuables. An institution referred its clients to the porter as willing to take the risk. For a small sum he took charge of the boxes and safes and made a fortune. From this arose the modern safe deposit which is now a part of every bank."

This statement seems so foolish and inconsistent that it is really hard to believe.

Be that as it may, the safe deposit company of New York first opened its doors and vaults to the public in 1861. and we are told that the enterprise succeeded almost immediately. The public was insistent in its demand for more of these separate companies and the safe deposit company was here to stay.

REMARKABLE DEVELOPMENT

GIVEN prominence by the great fires in New York city in the seventies; the Chicago fire; the Baltimore fire: the San Francisco earthquake, and even our recent Equitable fire, which has accomplished much in showing, through frightful test, the efficiency of modern vault construction, it has developed to such a standard that even the hottest flame of oxy-acetylene will not penetrate, and we can, without fear of criticism, hang up our advertisement—"absolute safety."

UTILITY OF THE SAFE DEPOSIT COMPANY

THAT the safe-deposit company is of great benefit to a community, and has taken the place of private safes, is evident from the increased number of safes and vaults rented within the past decade. Perhaps it is through fear of robbery rather than fire that such action is induced, as in the case, a few months ago, of a certain dealer in baker's supplies in New York city, who was counting his cash, some $2,800. and was observed from the street. Before retiring, the money was placed in his three hundred pound safe, and in the morning the safe and its contents were missing. A search brought him into a nearby lot, where he found what was left of his emptied safe. Holes had been bored through the bottom of the safe, and it was then blown up.

Comparatively speaking a very small part of the safety-deposit business is carried on through separate companies. It is either a separate department of a trust company or controlled by a bank. In New York State there are forty-five separate safe deposit companies, with resources in 1913 of $8,-658.127, and capitalization of $5.900,-000. But this is not a fair estimate of the entire business, for we do not consider the 700 banking institutions and warehouses which carry on a safety deposit.

It is estimated that in the safe deposit vaults of trust companies of the United States alone, there are thirty billions of dollars in valuables. It is said there were one billion dollars in valuables in the vaults of the Mercantile Safe Deposit Company, and three hundred million dollars of securities in the Equitable Life Assurance Society's vault, when the walls of their great building in New York crumbled in ruins. This just par-

tially gives one an idea of the vast extent of the business to-day, in its protection of property from spoilation and thieving.

SPECIAL DEPOSITS

THE safe deposit company carries on the function of a bank, in that it receives special deposits. Whereas before its existence the customer would require his bank to keep his valuables, the customer now is either switched over to the safe deposit department of a trust company or the safe-deposit company, and then a box is rented, or the articles taken from the customer and a receipt given therefor.

Weitzel, in his volume, "Law of Deposits," defines a special deposit as, "Where bonds, stocks or other valuables, or money in a separate package (or even loose money where the identical pieces are to be kept) are placed with a bank, to be kept, and the identical articles returned."

Therefore, in the exercise of this particular function a safe-deposit company is a bank, and comes under the supervision of the State Banking Department.

The renting of boxes or safes is by far the most important function of the depository. There are some companies which have as many as 50,000 boxes and safes. These boxes, the smallest of which is two by five by twenty-four inches in size, are rented out for from $5 to $500 per annum, although some Western and country safe-depositories have advertised the rental of boxes as low as $1 per year.

The safe-deposit company is well defined by the revised banking law of New York as "A corporation formed for the purpose of taking and receiving as bailee for safekeeping and storage, jewelry, money, specie, bullion, stocks, bonds, securities and valuable papers of any kind, and other valuable personal property on deposit, and guarantee their safety upon such terms and for such compensation as may be agreed upon by the company and the respective bailors thereto; and to rent vaults and safes and other receptacles for the purpose of such safekeeping and storage." It is apparent that this gives the safe-deposit company two separate and distinct functions carrying two different liabilities; (a) to act as warehousemen, and (b) as a landlord, to rent out to a tenant part of the premises.

LIFE is made up, not of great sacrifices or duties, but of little things, in which smiles and kindnesses and small obligations, given habitually, are what win and preserve the heart and secure comfort.

SIR HUMPHREY DAVY

Banking Publicity

Conducted by **T. D. MacGREGOR**

Valuable Opinions

Some Common Sense Views by Bank Advertisers

W. J. KOMMERS, Vice-President Union Trust & Savings Bank, Spokane, Wash.

COMMUNITY advertising is being adopted in a number of cities with the single purpose of exploiting banking service and security, and results are being watched with unusual interest. The American Bankers Association is giving its unstinted support to this new idea, even to the extent of supplying suitable literature, all to the end that our country may take its rightful place among the nations of savers and to aid the banks in the promotion of favor with the public.

⊙

Although it is quite generally acknowledged that confidence forms the basis of all banking and that without it no bank can succeed, it is also true that unless good will forms an essential and integral part of the whole, the full measure of success cannot be realized.

⊙

Mr. T. D. MacGregor, the bank advertising expert, says: "Depositors will not come to a bank or remain with it unless they have absolute confidence in it, so that the task of the advertising bank is two-fold: To inspire and maintain confidence in the institution, and to educate people as to the bank's ability and willingness to serve them in specific ways."

A bank should not expect to get any more value out of its advertising than it puts into it. No results should be looked for unless it contains all the thought and skill at one's command. If you have not the time or inclination to supply live copy for each issue of your paper, then by all means sub-

4%
Interest
on Savings
Deposits

People Become Wealthy by Spending Less Than They Earn.

Probably you will say that the "spender has a mighty good time "while it lasts," but you know there is an end to all things. In fact, there is an end to the time when you can save, so you had best save now while you can. He who saves today will surely reap a harvest of the seed he is sowing and he who spends today will likewise reap his harvest. The amount that you save today is not as important as is the forming of the habit of saving, for once you form this habit you are secure for the future.

You Secure Absolute Safety for Your Funds, as Well as Prompt, Courteous and Liberal Treatment. **When You Make This Bank Your Depository.**

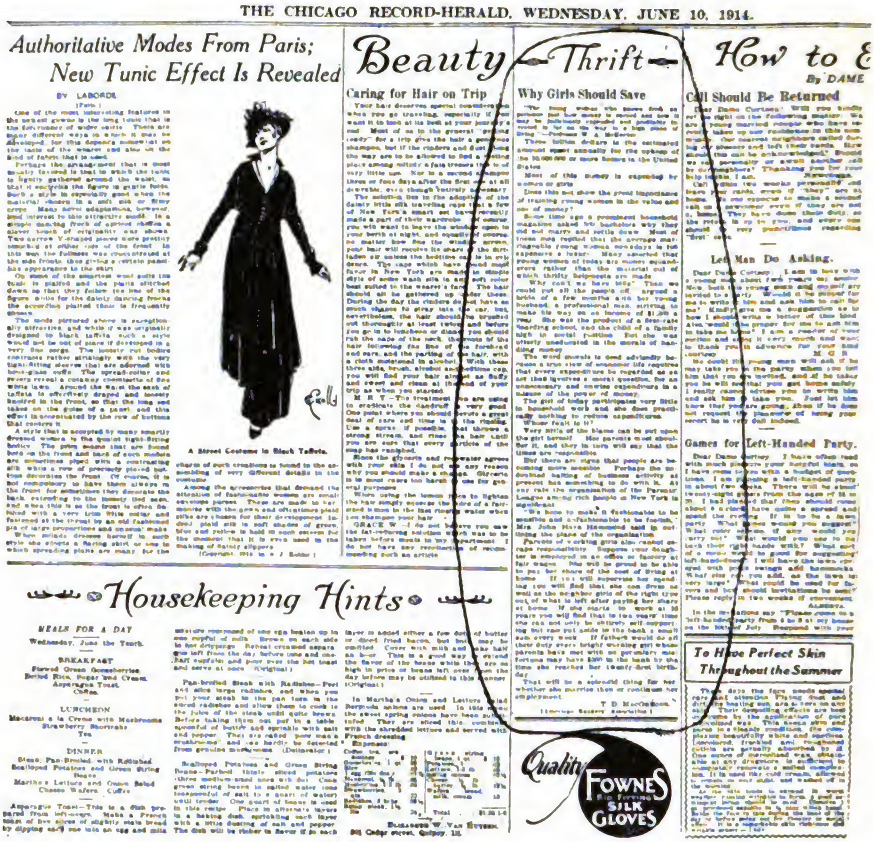
We solicit your account, knowing that the service of this bank is of great value to you, as well as all the people. We know that coureous treatment will be appreciated by you, for it is demanded by discriminating business men and women. Courteousness is doubly valued when it is coupled with absolute safety, as it is in this bank. Your account need not be a large one to be welcome. We pay 4 per cent quarterly on Savings Deposits.

Red River Valley

Bank & Trust Co.

"The Bank for Your Savings"

PRINTER TOOK SOME PAINS WITH THIS AD.



THE CHICAGO RECORD-HERALD, WEDNESDAY, JUNE 10, 1914.

Authoritative Modes From Paris; New Tunic Effect Is Revealed

Beauty

Caring for Hair on Trip

Thrift

Why Girls Should Save

How to E

Call Should Be Returned

Housekeeping Hints

To Have Perfect Skin Throughout the Summer

A MAKE-UP EDITOR WHO SHOWED GOOD SENSE, PUTTING "WHY GIRLS SHOULD SAVE" TALK ON THRIFT ON WOMEN'S PAGE DURING CONVENTION OF GENERAL FEDERATION OF WOMEN'S CLUBS AT CHICAGO

---

scribe to one of the several inexpensive syndicate or agency services now being offered. An experienced and reliable agency can certainly help you to make excellent use of your newspaper space and furnish you with dignified, educational and inspirational copy. The newspaper efficiently and intensively used, offers the bank one of the best positive methods for reaching the people regularly, and as a means of supplementing your other direct mediums of advertising.

⦿

A well planned, systematic and persistent campaign of "follow-up" personal letters directed to a well selected list of names of the substantial men and women in your community will bear fruit beyond all your expectations. You will be certain to continue it, with the only difference that you will probably extend your mailing list so as to include every man of standing in your community.

⦿

As for the booklets themselves, I have found that small editions of eight pages, attractively yet inexpensively printed, are more effective in the long run than the elaborate ones ordered in large quantities. Their excessive cost precludes a free and generous distribution and the text is usually stale before the supply is finally exhausted.

The important thing to my mind is to make the community feel that the bank is alive. Everyone instinctively likes vigor, and is attracted towards the spot where there is "something doing." By advertising, a bank shows that its management is alert, progressive and abreast of the times, a reputation in itself of distinct value.

⦿

After all that may be said or written upon the subject of new business, the fact remains that the strongest single factor in the building of a bank is the personal equation of its officers and employees. This much is recognized by every banker, however prejudiced he may be against aggressive methods of reaching out for new business. He knows he must make his personality and individuality felt, and seeks in every way to extend his personal connections and to command the respect, confidence and good will of the public.

⦿

I have long regarded the house organ as the most practical and effective medium of publicity for the country bank. I would recommend it especially to every banker who has steadfastly clung to the idea that avertising does not pay. Though a medium of advertising, it does not appear to be such. As a truck farmer from one of our suburbs recently said, "An institution going to such lengths as to publish a periodical purely for the enlightenment of the public on financial matters is a real benefactor." He had received our Marble Bank Monthly regularly for two years and never recognized or regarded it as an advertising medium.

⦿

The house organ has possibilities which none of the other mediums possess. It combines the good points of a number of different kinds of advertising. It reaches only those whose confidence and good will you value or wish to cultivate, thus reducing waste circulation to a minimum. Where the ordinary booklet, with its single appeal, may fail to interest, the house organ touches upon a variety of topics and is almost certain to be read. The cumulative educational value of the house organ is probably greater than that of newspaper advertising or letters, as it receives a longer and more careful reading because of its magazine-like make-up.

⦿

We had a striking illustration of this the other day when a man brought up the application for a $12,000 loan. His security was excellent and the loan especially attractive. During the conversation he remarked that he had been getting our little magazine regularly and just thought he would come in and talk it over. That man had been receiving our house organ for three years, and in all that time had never entered our doors. Yet when he finally needed our service, he came here as a matter of course. Not long ago we made a sale of some bonds of a considerable amount to a new customer with such ease and facility that we wondered at it. On inspecting our mailing list we found he had received our house organ for several years. He knew all about us and it required little further explanation to effect the sale.

⦿

Why is it that the cunning promoter finds the country such a fertile field for his operations? Why so large a percentage of the unsophisticated in the rural districts except from a lack of literature on financial and investment problems? As Mr. Blodgett of the Blodgett Agency, St. Paul, so aptly says: "Banks are doing a great work in leading the movement for improved agricultural methods and educational reform, but what will it avail the farmer if he is taught to wrest more from the soil, if he still remains untutored in the administration of his finances?

The cost of the house organ is such as to bring it within the reach of the smallest bank. There are several experienced and reliable agencies now furnishing this service. It is my observation that where they undertake a bank's entire advertising campaign they rarely ask it to spend more than its present appropriation. All they ask is that the client expend it intensively, with definite aims in view.

⦿

JAMES HOWARD KEHLER.

Some bankers think that, inasmuch as they all offer the same commodity at the same price, they have nothing to advertise.

That situation is the one of all others in which creative advertising is most needed and most effective.

It is precisely because banks cannot compete on commodity or price that they must compete, if at all, in the realm of ideas.

A bank—in order to stand out from other banks—must create preferences based upon sentiment, individuality, personality. That is the business of creative advertising. Creative advertising induces preferences where none exist naturally. It is as easy to individualize a bank as to individualize any other business.

⦿

EUGENE B. PALMER, Publicity Manager Walker Brothers, Bankers, Salt Lake City.

Systematic bank advertising in Salt Lake City has been a growth of the last four years. Trust companies had advertised successfully prior to that time, and stories reached Utah of wonderful successes being made through aggressive advertising by banks in other cities—for example, the Old National Bank of Spokane. But most commercial bankers still classed advertising expense along with donations—and that was really about all the "simple, dignified cards" amounted to.

No commercial bank in Salt Lake City availed itself properly of the possibilities of printer's ink until the National Copper was organized. The new institution wanted business and wanted it quickly. So it took the logical course that a new store would follow under similar conditions—it advertised.

Still some of the old guard frowned on bank advertising. They declared it undignified, a confession of weakness. Nobody could accuse the old Walker Brothers Bank of weakness, when about three years ago the directors decided that systematic advertising should form a part of the bank's progressive policy. The old guard—upholders of the "dignified card"—were aghast. When they got over the shock and watched results, they began to fall into line.

Perhaps it was because they were studyng comparative statements. A couple of years ago we made an analysis of conditions of various Salt Lake City banks compared with the previous year. It was discovered that the non-advertising banks were all standing still or going backward, while the advertising banks were making steady progress. With due allowance for unusual influences, the same general condition will be found to prevail now.

Passing over the gains made in commercial business, in our own savings department, for instance, deposits of approximately $1,300,000 have been built up in three years, most of it without taking away from any other institution. One of our officers who keeps in closest touch with the savings department estimates that over 3,000 of our customers in this branch never had savings accounts before.

Laying aside the question of possible gain to the bank, is not that a wonderful result in itself?

Over 3,000 persons have learned habits of prudence and thrift, are watching their expenses, are building for the future, and by this token are better citizens.

Does it pay?

Ask anyone of the 3,000.

New Banking System

National Banks Advertise Their Federal Reserve Membership

THE going into effect of the Federal Reserve Association naturally leads many national banks to call their customers' attention to the fact. The Illinois National Bank of Peoria, ran a series of newspaper advertisements on the subject, of which this is a sample:

GREATER STRENGTH

In union there is strength.

As a member of the new Federal Reserve Association, the Illinois National Bank has an immensely strong system back of it, and will have the strength of wise counsel as well as great resources and strict government supervision.

ILLINOIS NATIONAL BANK
of Peoria
United States Depository

The Central National Bank of Battle Creek, Mich., sent out to smaller banks a booklet describing the new system, with this letter:

Dear Sir:—

The most important development in banking in recent years is the establishing of "Federal Reserve Banks."

Believing that a brief explanation of the new law, known as the Federal Reserve Act, would be of interest and possibly of benefit to our banker friends, we have had prepared a small booklet describing the essential features of the act, and take pleasure in enclosing herewith a copy in the hope that it may be of at least passing interest to yourself.

While this bank was among the first to become a member bank of the Federal Reserve System, with its additional protective features, it continues to afford its depositors the same advantages as before.

In this connection we wish to particularly call your attention to the fact that this bank issues demand certificates of deposit on which interest is paid from the date of deposit at the rate of 4 per cent. per annum if left three months and for *each full month* thereafter. These certificates are payable at all times on demand, and if forwarded direct to us will be remitted for on the day received and in such exchange as may be desired, without charge.

In view of the increase in earnings for reserve funds offered by this bank over what is ordinarily received from other reserve cities, also the reasonably short time in which the funds must be left in order to draw interest, namely, three months and each full month thereafter, practically insuring the depositor that he can withdraw his money any time without loss of interest, a number of banks have found it very satisfactory to carry a portion of their reserve with us, and we feel quite certain you will find an account here equally advantageous.

Chicago's Advertising Banks

THE members of the Cook County Bankers' Club of Chicago, an organization comprising about sixty-eight banks in the outlying districts, get together nine times a year and discuss advertising plans and methods of building up business.

"How To Advertise A Bank"

Another Book of Plans and Methods

SYSTEM MAGAZINE has added another to its growing list of "How" books made up largely of articles reprinted from the magazine. It contains a lot of good suggestions and plans which have been worked out successfully by different banks. It is thoroughly illustrated with drawings and charts and is all written with the cocksureness which is a pleasing characteristic of System's style. The book is sold in connection with a subscription to the magazine.

How Banks Are Advertising

Note and Comment on Current Financial Publicity

REGARDING the A, B, C ad. of the Oak Park Trust & Savings Bank, criticism of which was requested, we wrote:

Referring to your bank's full-page advertisement in "Oak Leaves," I would say that

The A, B, C's of Success

for a bank as well as for an individual are

ASSETS
BRAINS
CHARACTER

The Oak Park Trust and Savings Bank has all of these qualifications. in addition to *Twenty-two Years'* experience.

That is why it gives such good service and has enjoyed such unusual success.

It is the Oldest and Largest Bank in Oak Park

Established March, 1892

OAK PARK TRUST & SAVINGS BANK
BANKING
SAFE DEPOSIT
SAVINGS
TRUST
THE OLDEST BANK IN OAK PARK

Capital, Surplus and Undivided Profits in Excess of $300,000.00

We cordially invite a part or all of your banking business

DIRECTORS

H. W. AUSTIN, President Oak Park Trust & Savings Bank.
A. W. BRYANT, President White Lake Lumber Company.
H. C. HANSEN, Real Estate, Loans and Insurance
GEO. R. HEMINGWAY, Real Estate, Loans and Insurance.
F. C. CALDWELL, Pres. H. W. Caldwell & Son Co., Founders and Machinists.
JESSE A. BALDWIN, Judge of Circuit Court Cook County.
LINDSAY T. WOODCOCK, Gen. Mgr. Marshall Field & Co. (Retail).
C. C. COLLINS, of Barr & Collins, Lumber and Coal.
THOMAS E. ROBERTS, Physician and Surgeon.
F. W. LEACH, of A. B. Leach & Co., Investment Securities.
GEO. D. WEBB, of Conkling, Price & Webb, Casualty Ins. and Surety Bonds.

OFFICERS

H. W. AUSTIN, Pres. H. C. HANSEN, Vice Pres.
PAUL E. ZIMMERMANN, Cashier and Sec'y
NED GANSON, Ass't Cashier HENRY R. PEBBLES, Counsel

For the convenience of our Customers, the offices of the President and Vice-President are located at Rooms 813-816, Teutonic Building, 179 W. Washington Street, Chicago.

At your service every business day from 7:30 a. m. to 4 p. m., Saturdays from 7:30 a. m. to 1 p. m. and 6 to 9 p. m.

Combined Resources Over $2,000,000.00

COULD BE BETTER ARRANGED

there is good matter in it, but there is too much of it and the advertisement is poorly arranged typographically.

I think it would be better to have the bank's signature in type and use your trademark emblem alongside of it. I don't think the Old English type is good for an ad., as it is not as quickly legible as Roman type. In this particular ad. you have too many different faces of type, anyway. Simplicity is a better plan.

Is it necessary to run *all* that fine type stuff in every advertisement? Why not run that only occasionally and use your space for better display or else cut down your space and save some money that way?

It would have been a better arrangement to have set the three words:

ASSETS
BRAINS
CHARACTER

as above, using heavier type for the initials to bring out the A B C idea better.

I think it would pay you to run this ad. again, rearranging it in accordance with these suggestions. If you can get the printer interested he ought to be able to improve the appearance and effectiveness of this ad. 100 per cent.

⊙

The Commonwealth Trust Company of Pittsburgh is offering $295 in prizes to amateur gardeners and giving away a garden booklet. Another Pittsburgh institution, the Pittsburgh Bank for Savings, offers a free cook book advertised in this way:

SPRING MENUS

prepared in accordance with the directions given in our booklet, "Table Savings," are both appetizing and economical. We pay 4 per cent. on the money you save by following these useful hints.

PITTSBURGH
BANK FOR SAVINGS
Smithfield St. and Fourth Ave.

This book is sent by mail for four cents in stamps, or will be given to applicants at Window No. 12.

Name ....

Address ....

Mrs. Margaret S. Gray of the advertising department of the bank, wrote:

We are glad to mail you, under separate cover, a copy of our book, "Table Savings," and are pleased to write that it has been a success in attracting housewives and other women to our savings bank.

The idea worked out in this book was that of our treasurer, Mr. A. N. Voegtly, who believed that most cook books contain menus so elaborate that they were useless to the average household; and when the high cost of living was so much discussed, it was wise to find simple and inexpensive recipes. Then, too, it was intended to show a woman how she could save from her market money.

The plan was discussed with our printers, who secured the services of one of the best instructors in domestic science and she has worked out this successful book.

Hoping that you may find it interesting as an advertising medium for savings banks, we are

⊙

Underneath the battleships in the advertisement of The Southern Bank & Trust Company it says: "Come in and let us explain." We think the ad. stands in need of explanation, because

A WIRELESS MESSAGE

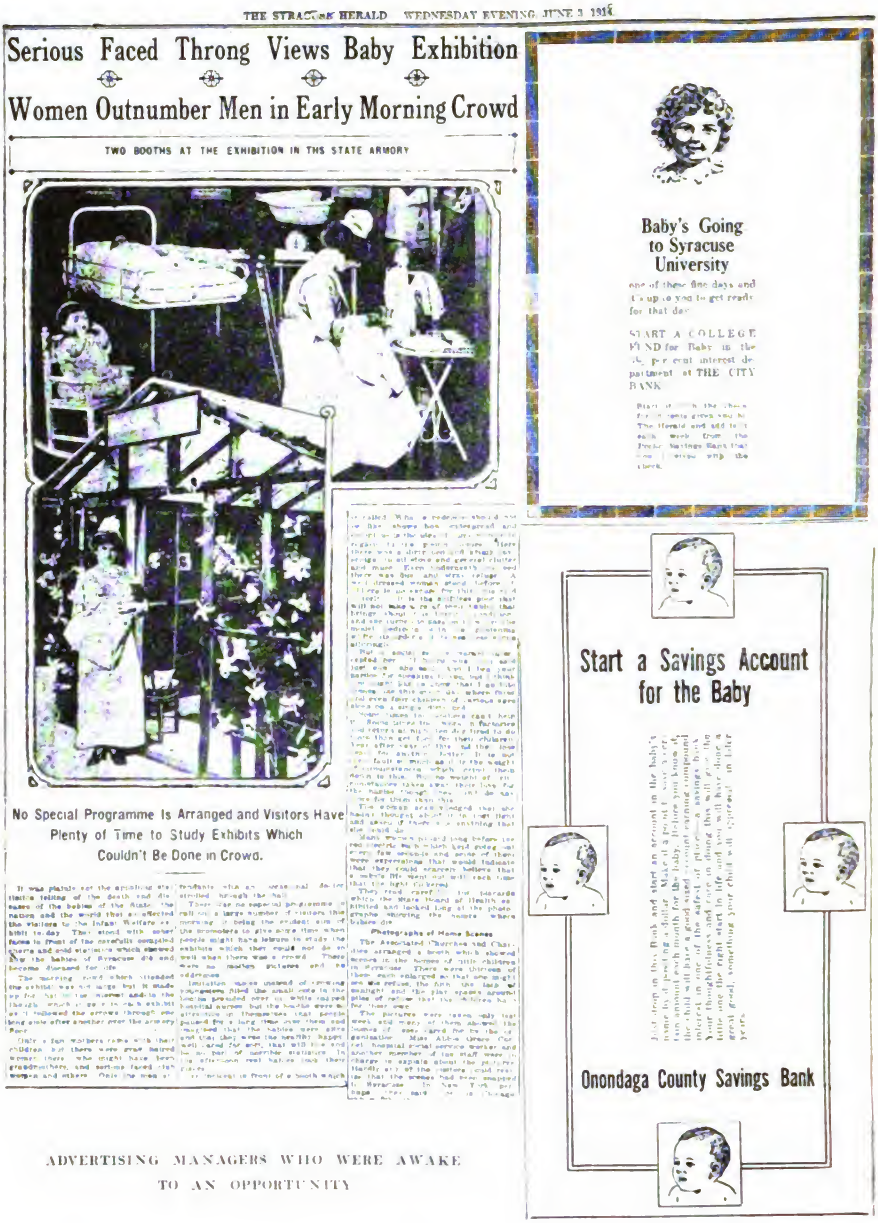
the connection between the Herbert Kaufman quotation and the idea of saving is not clear. It reminds one of the line in the comic opera song: "The hands on the face of a watch have nothing to do with the case." The other ad. of the same bank is much better, telling its story at a glance.

⊙

The advertisement of the American National Bank of Pensacola, Fla., is a rather unusual one—being directed to the people in another city and another State. It is a very cordial announcement.

⊙

The Bank of the Manhattan Company, 40 Wall Street, New York, has issued an interesting booklet giving a brief illustrated account of substan-



ADVERTISING MANAGERS WHO WERE AWAKE TO AN OPPORTUNITY

tially all the buildings of historic interest now remaining in the city of New York which were standing at the time the bank was chartered. The Bank of the Manhattan Company early in its career supplied some of the citizens in the lower part of the city with water and a picture of a section of the old wooden water pipe is shown, with a short history of the bank. Originally established one hundred and fourteen years ago as an "Office of Discount and Deposit," the Bank of the Manhattan Company has been developed as an independent commercial bank

"The Advance" is the name of a new monthly publication issued by the Corn Exchange National Bank, Philadelphia, Pa. It is a house organ in the form of a little newspaper and it contains real news for business men. This bank favors the use of strong newspaper ads. with an abundance of display and a paucity of words, as witness these two set in amortise within the bank's well-known ear of corn emblem:

YOU ARE SAFE IN BANKING BY MAIL

During the past year checks totaling over $900,000,000 received; $500,000,000 forwarded through the mails by this bank.

Branch banking is not allowed to banks in the National System, but the Government itself provides 4371 places in the City of Philadelphia alone, where checks, drafts and notes may be deposited for the Corn Exchange National Bank.

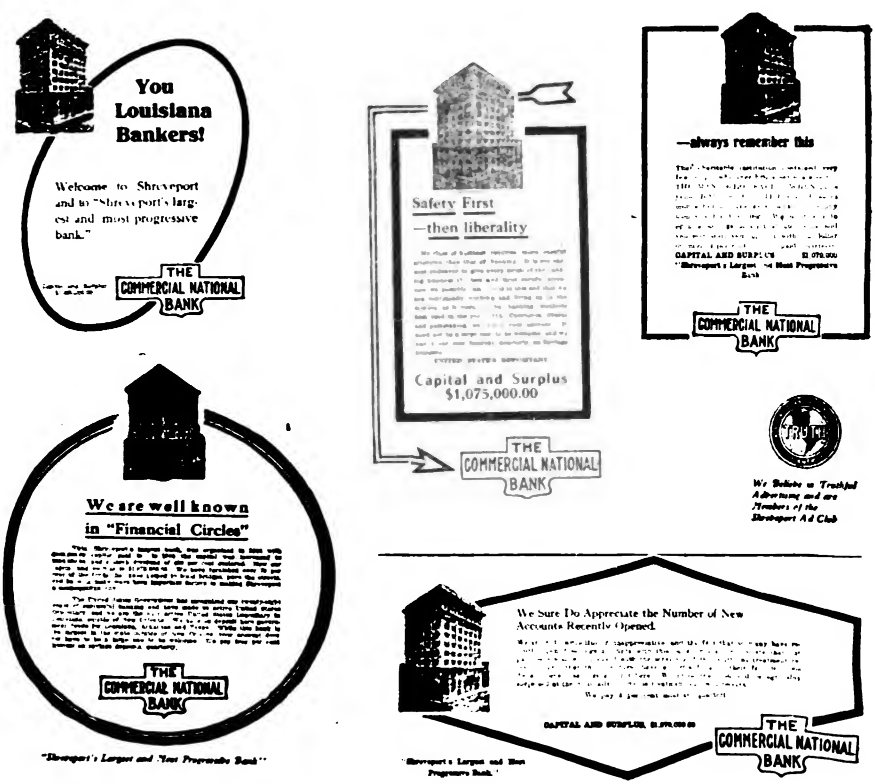
Every sub-station, postoffice, and letter box is practically a branch of the Corn Exchange National Bank, Chestnut Street at Second.

Charles D. Murta of Shreveport, La., wrote:

I am sending you, under separate cover, a copy of the Ad Men's edition of the Shreveport Journal, (112 pages) edited and published entirely by our Ad Club. I am doing this at the request of Mr. Kahn, cashier of the Commercial National Bank of this city, and thinking it possible that it may be a day or so yet before this paper goes forward, I enclosed copy of page ad. of the Commercial Bank. I also enclose other specimens of our copy for the Commercial Bank.

It is my pleasure to represent the Commercial National Bank in the capacity of "Ad-Visers."

Palpably this bank has been well advised as these ads. are strong in copy and typography. The one within the circle occupied the center of a full newspaper page, the balance of the space being blank except for the names



EXCELLENT COPY AND DISPLAY

NEW YORK CITY SKYLINE—STATEMENT COVER OF METROPOLITAN TRUST COMPANY

of the bank's officers in one corner, and the "Truth" emblem of the Associated Advertising clubs of America.

⊙

The Everett, Mass., Savings Bank issued an attractive little address to depositors upon the occasion of its recent twenty-fifth anniversary.

⊙

Just before the Fourth of July, the National City Bank, New Rochelle, N. Y., sent out a letter with a little celluloid flag pinned to it. The letter contained this cordial invitation:

It is my pleasure to extend to you and your friends a cordial invitation, from the officers and directors of the National City Bank, to visit their banking rooms on Friday and Saturday, July 10th and 11th, during regular banking hours, Friday, 8.30 A. M. to 4 P. M.; Saturday, 8.30 A. M. to 12 noon, also Friday and Saturday evenings from 7 to 9.30 o'clock, when the entire banking building, including the safe deposit vaults and storage rooms, will be thrown open to the inspection of the public. Our officers and employees will be on hand to receive you and show you how a bank looks from the inside. We hope to make it interesting to all who call, especially during the evenings. We appreciate what the people of New Rochelle and vicinity have done for us during our fifteen years of active banking, and we desire to reciprocate the good will to all our friends and depositors, both present and prospective.

Yours sincerely,
HENRY M. LESTER, President.

Bankers seem to be paying more attention these days to their statement folders. The June statement of the Metropolitan Trust Company of New York is a four-page folder on Fairfield Japan paper of India tint. The attention-getter on the front page is an attractive etching-effect view of New York City's famous sky-line as seen from the Bay. It is from a pencil sketch made for the trust company by Vernon Howe Bailey, the artist who has made a specialty of New York views. The type work is in Cloister old style, and the fourth page is especially well set. Altogether it is a statement that is very likely to receive unusual attention.

⊙

The City Trust & Savings Bank of Grand Rapids, Mich., advertises to Boy Scouts, as follows:

FROM TENDERFOOT TO FIRST CLASS AT THE BOY SCOUTS' BANK

All you boys know you're tenderfeet until you have money of your own earning in the bank. You know there must be a dollar to qualify as second class scout, two dollars before you're first class.

There is one particular boy scouts' bank in this city, a bank that has a picture of a local troop on its walls, and a special proposition for scouts that will help them make their accounts grow. This will be explained to any boy by Mr. Huggett, Mr. Dalrymple, Mr. Babcock, Mr. Cutler, Mr. Stuart, Mr. French, and if you don't know any of these men

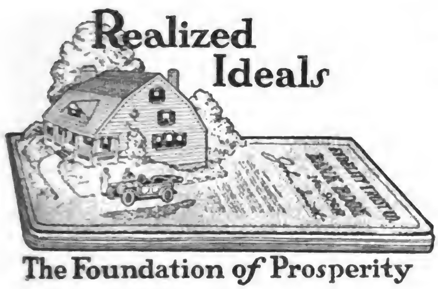
you'll get along fine with them just the same; they'll be glad to meet you and help you on the bank part of your qualification.

and more in the same vein.

We think the foregoing is a more wholesome appeal to boys than an ad. put out by a bank further West, which had the heading, "Is There a Hell?" and the closing paragraph of which read:

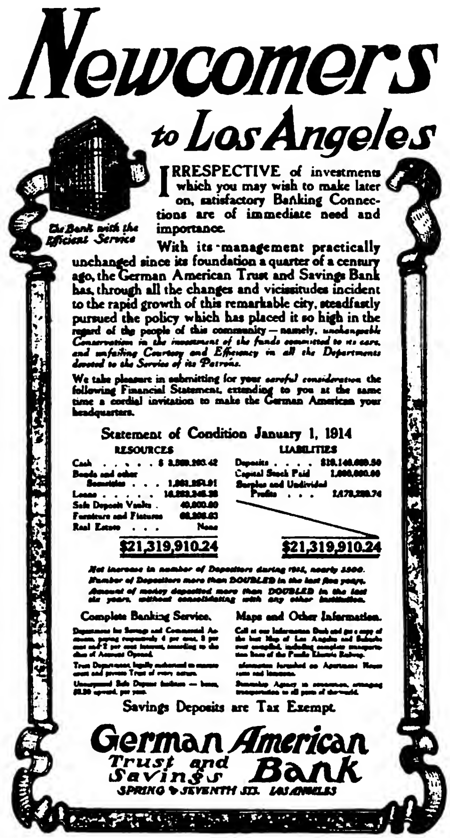
"Teach the boys and girls to be saving and thrifty. The beginning of every downfall is the wrong use of money. See that the boy learns a trade or a profession. Keep him busy. Teach the young folks to value money as they should, and they will not care to 'Rag-Time' to hell. Just 'Father and Mother' our boys and they will think so much of the real things of life, they will not care for the froth and foam and slush of things. Open an account with a good bank and get the saving habit. It will help develop character and character puts the devil out of business and annihilates hell. Get the habit."

The Fidelity Trust Company of Boston got out a good series of folders on saving, the clever cover of one of which is reproduced herewith.



ENOUGH SAID

Very cordial ad. is the "Newcomers," one of the German American Trust and Savings Bank of Los Angeles. It occupied four columns by fifteen inches in the original, but the banks do things in that way out there, though it is with misgivings on the part of some bank officers. We understand that one prominent Los Angeles bank officer said that he picked up his newspaper with trembling hands at the breakfast table for fear of what his bank was going to be made to say. But so far as our observation has gone, he does not need to be so nervous as his bank's advertising is nothing to be ashamed of and Angelenos apparently are used to the kind of strong advertising pabulum which is served them and are not easily shocked.



WELCOME TO OUR CITY

Bank Advertising Exchange

Those listed herewith are willing to exchange booklets, folders and other advertising matter issued by them. Others can get on this list free of charge by writing to the editor of this department.

Watch for new names and other changes.

F. R. Adams, Will Co. National Bank, Joliet, Ill.

American National Bank, Richmond, Va.

Carl W. Art, manager publicity department, Union Trust & Savings Bank, Spokane, Wash.

A. F. Bader, publicity manager, City National Bank, Evansville, Ind.
C. W. Bailey, cashier, First National Bank, Clarksville, Tenn.
The Bankers Magazine, New York.
H. C. Berger, Marathon County Bank, Wausau, Wis.
C. J. Bevan, cashier, Exchange Bank, Genoa, Ill.
E. L. Bickford, cashier, First National Bank, Napa, Cal.
W. O. Boozer, treasurer, American Trust Co., Jacksonville, Fla.
Jesse E. Brannen, cashier, First National Bank, Westwood, N. J.
E. M. Baugher, president, The Home Building Association Co., Newark, Ohio.
C. W. Beerbower, National Exchange Bank, Roanoke, Va.
H. C. Bollman, assistant cashier, First National Bank, Collinsville, Okla.
T. J. Brooks, cashier, The Guaranty Trust & Savings Bank, Jacksonville, Fla.
J. A. Buchanan, Guaranty Trust Co., Lancaster, Pa.
F. B. Bunch, cashier, Merchants & Farmers Bank, Statesville, N. C.
A. Bush, Jr., Ladd & Bush, bankers, Salem, Oregon.
Citizens National Bank, Oconto, Wis.
Commercial Bank, Midway, Kentucky.
B. S. Cooban, Chicago City Bank and Trust Co., Chicago, Ill.
Commercial Trust & Savings Bank, Prescott, Ariz.
H. Reed Copp, assistant advertising manager, Old Colony Trust Co., Boston, Mass.
Arthur S. Cory, Chehalis National Bank, Chehalis, Wash.
David Craig, Tradesmens National Bank, Philadelphia, Pa.
Eugene E. Culbreth, Commercial National Bank, Raleigh, N. C.
H. A. Dalby, Naugatuck Savings Bank, Naugatuck, Conn.
Dexter Horton National Bank, Seattle, Wash.
J. T. Donnellan, publicity manager, Security Trust & Savings Bank, Los Angeles, Cal.
T. R. Durham, assistant cashier, Chattanooga Savings Bank, Chattanooga, Tenn.
W. R. Dysart, assistant cashier, First National Bank, Ripon, Wis.
J. C. Eherspracher, assistant cashier, First National Bank, Shelbyville, Ill.
A. A. Ekirch, secretary, North Side Savings Bank, New York City.
F. W. Ellsworth, publicity manager, Guaranty Trust Co., New York.
The Franklin Society, 38 Park Row, N. Y.
E. W. Finch, assistant cashier, Birmingham Trust & Savings Co., Birmingham, Ala.
First National Bank, Lead, S. D.
Horatio Ford, secretary, Garfield Savings Bank Co., Cleveland, Ohio.
Jas. P. Gardner, Montclair, N. J.
Germantown Ave. Bank, Philadelphia, Pa.
C. L. Glenn, advertising manager, Wachovia Bank & Trust Co., Winston-Salem, N. C.
B. P. Gooden, advertising manager, New Netherland Bank New York.
C. F. Hamsher, First National Bank, Los Gatos, Cal.
Victor F. Hann, manager publicity department, The Fifth Avenue Bank, New York City.
J. W. Hansen, cashier, Citizens State Bank, Sheboygan, Wis.
E. A. Hatton, cashier, First National Bank, Del Rio, Texas.
F. W. Hausmann, assistant cashier, North West State Bank, Chicago, Ill.
John R. Hill, Barnett National Bank, Jacksonville, Fla.
N. M. Hokanson, State Bank of Chicago, Chicago, Ill.
Frank K. Houston, assistant cashier, Third National Bank, St. Louis, Mo.
L. M. Howard, vice-president, Continental Bank & Trust Co., Shreveport, La.
Le Baron M. Huntington, manager publicity department, Registrar & Transfer Co., New York City.
W. L. Jenkins, Farmers & Mechanics Trust Co., West Chester, Pa.
N. W. Johnston, president, Illinois Trust & Savings Bank, Champaign, Ill.
W. P. Jones, assistant cashier, First National Bank of Commerce, Hattiesburg, Miss.
W. R. Kay, Jr., advertising manager, Sacramento Bank, Sacramento, Cal.
C. B. Keller, Jr., assistant cashier, Stroudsburg National Bank, Stroudsburg, Pa.
Geo. D. Kelley, Jr., treasurer, Newark Trust & Safe Deposit Company, Newark, Del.
Kennett Trust Co., Kennett Square, Pa.
Grover Keyton, New Farley National Bank, Montgomery, Ala.
Edward W. Klein, advertising manager, Cleveland Trust Co., Cleveland, Ohio.
M. R. Knauft, assistant cashier, Merchants National Bank, St. Paul, Minn.
George L. Kreeck, treasurer, Farmers State Savings Bank & Trust Co., Lawrence, Kans.
Henry M. Lester, National City Bank, New Rochelle, N. Y.
L. W. Lovell, assistant cashier, The Lovell State Bank, Monticello, Iowa.
H. Warner Martin, assistant cashier, Lowry National Bank, Atlanta, Ga.
Charles S. Marvel, The First-Second National Bank, Akron, Ohio.
H. B. Matthews, S. W. Straus & Co., Straus Bldg., Chicago, Ill.
Tom C. McCorvey, Jr., assistant cashier, City Bank & Trust Company, Mobile, Ala.
J. C. McDonald, advertising manager, The City National Bank, Sulphur Springs, Texas.
Frank Merrill, advertising manager, The Northwestern National Bank, Minneapolis, Minn.
Will E. Morris, assistant cashier, Farmers & Merchants Bank, Stockton, Cal.
E. R. Mulcock, Commercial National Bank, Syracuse, N. Y.
Nebraska State Bank, Ord., Neb.
Old State National Bank, Evansville, Ind.
J. A. Overton, cashier, The National Bank of Smithtown Branch, Smithtown Branch, N. Y.
R. B. Parrish, cashier, National Bank of Commerce, Williamson, W. Va.
A. E. Potter, president, Broadway National Bank, Nashville, Tenn.
W. W. Potts, treasurer, The Federal Title & Trust Co., Beaver Falls, Pa.
Felix Robinson, advertising manager, First National Bank, Montgomery, Ala.
C. W. Rowley, manager, Canadian Bank of Commerce, Winnipeg, Can.
Wm. J. Ruff, cashier, Luzerne County National Bank, Wilkes-Barre, Pa.
George J. Schaller, cashier, Citizens Bank, Storm Lake, Iowa.
Almot Schlenker, assistant cashier, First National Bank, Brenham, Tex.
Paul T. Schulze, assistant cashier, State Bank of La Crosse, La Crosse, Wis.
E. P. Simpson, Jr., assistant cashier, First National Bank, Toccoa, Ga.
T. K. Smith, Jr., manager, Gimbel Brothers, Bankers, New York City.
J. G. Spangler cashier, The Mesa City Bank, Mesa, Ariz.
W. R. Stackhouse, City National Bank, Bldg., Utica, N. Y.
T. H. Stoner, cashier, The Peoples National Bank, Waynesboro, Pa.
C. E. Taylor, Jr., president, Wilmington Savings & Trust Co., Wilmington, N. C.
A. C. Tonsmeire, cashier, City Bank & Trust Co., Mobile, Ala.
Union Trust Co. of the D. C., Washington, D. C.
John W. Wadden, Lake County Bank, Madison, S. D.
Wessels Van Blarcom, assistant cashier, Second National Bank, Patterson. N. J.
C. C. Willson, care of Continental & Commercial Trust & Savings Bank, Chicago, Ill
Frank A. Zimmerman, Chambersburg Trust Co., Chambersburg, Pa.
Paul E. Zimmerman, cashier, Oak Park Trust and Savings Bank, Oak Park, Ill.
E. L. Zoernig, Sedalia Trust Co., Sedalia, Mo.

NEW NAMES THIS MONTH

Stephen L. Burwell, vice-president, First National Bank, Jackson, Miss.
A. E. Lindhjem, assistant cashier, Scandinavian American Nat. Bank, Minneapolis, Minn.
W. W. Russell, cashier, First National Bank, White River Junction, Vt.
F. H. Williams, assistant treasurer, Albany City Savings Institution, Albany, N. Y.
E. C. Burton, vice-president, Penn. National Bank, Chester, Pa.

Organization of National Banks

DURING the month of June twelve formal applications for conversion of State banks or reorganization of State or private banks were filed and twenty formal applications to organize national banks by individuals not connected with existing State or private banks.

During the same month twenty-two applications were approved, nineteen of these being for conversion of State banks or reorganization of State or private banks.

During the month of June twenty-one banks, with total capital of $2,-800,000, were authorized to begin business, of which number sixteen, with capital of $400,000, had individual capital of less than $50,000, and five, with capital of $1,900,000, had individual capital of $50,000 or over.

On June 30, 1914, the total number of national banks organized was 10,571, of which 3,032 had discontinued business, leaving in existence 7,539 banks, with authorized capital of $1,074,239,175, and circulation outstanding, secured by bonds, $735,528,-960. The total amount of national-bank circulation outstanding was $750,-671,899, of which $15,142,939 was covered by lawful money of a like amount deposited with the Treasurer of the United States on account of liquidating and insolvent national banks and associations which had reduced their circulation.

Keep Smiling

THIS is the advice given to those in the banking business by Miss Susie Shake, who is herself a banker. In an address to the Texas Women Bankers Association she said:

"I wouldn't advise anyone who hasn't reasonably good control of her temper to go into banking, for no matter how busy you may be, you have to 'look pleasant' when a customer tells you all the family troubles. One reason so many people think bankers have an easy time is because we stop to answer questions. Why, in addition to all kinds of legal questions, we've been asked almost everything, from how to fix a watch that wouldn't run (and it started all right), whether to plant potatoes in the dark or the light of the moon. When we got tired answering questions we took a look at the sign put under the clock during the panic days, 'Keep smiling.'"

MISS SUSIE SHAKE

HON. GEORGE C. VAN TUYL

FORMER SUPERINTENDENT BANKING DEPARTMENT, STATE OF NEW YORK; PRESIDENT METROPOLITAN TRUST COMPANY, NEW YORK

GEORGE C. VAN TUYL, who became president of the Metropolitan Trust Company of the city of New York on April 15, 1914, is one of the best-known bankers of New York State. As Superintendent of Banks for three years he added to the host of friends whom he had made during the previous years of his banking connection with the Albany Trust Company and other up-State banking institutions.

Mr. Van Tuyl's record as an administrator at the head of the Banking Department of this State has never been excelled. He went into office with the firm purpose of paying back to depositors of failed institutions as large sums as could be collected from the assets of the companies which failed in the wreck of 1907 and which were being liquidated by the Banking Department. He succeeded in paying more than $4,000,000 on such depos-

itors claims. His record in other lines was equally brilliant. But his administraton as the head of the department will be best remembered in the future on account of the model banking law which he succeeded in having enacted.

The many friends of Mr. Van Tuyl predict a great future growth and prosperity for the Metropolitan Trust Company as a result of his ability and popularity. Organized in 1881 this trust company has been known as one of the leading financial institutions of New York, and numbers on its board of directors many noted financiers.

The company shows a gratifying growth by its statement of condition to the State Banking Department as of July 1, 1914. The aggregate deposits were $29,383,744.23. The Metropolitan Trust Company has a capital of $2,000,000 and surplus and undivided profits of $6,020,538.75. The total resources are $37,522,228.78.

New York's Revised Banking Law, referred to above, is recognized as a model for other States and countries, and that the Van Tuyl law so nearly attained perfection was due to the painstaking care of Mr. Van Tuyl in selecting for the commission appointed to revise the law men of the high standing and efficiency.

George C. Van Tuyl, Jr., was born in Albany, N. Y., April 3, 1872. His father was George C., and his mother Angeline E. (Hawley) Van Tuyl. On the paternal side of the family he is of that Holland-Dutch stock that was the first to colonize New York, and that has given to the State some of its best citizens. His ancestors settled in Central New York, with which section the name has since been identified. On the maternal side he is of English descent though the Hawleys have long been residents of the State of Connecticut.

Mr. Van Tuyl received a public school education in Albany, N. Y. After leaving high school he went to work as a messenger in the National Exchange Bank at Albany in 1888. He was then only sixteen years old, but he was full of ambition, and soon won the commendation of his superiors. He advanced himself through the various departments until in 1894 he was made paying teller of the bank. He held that position until the formation of the Albany Trust Company in 1900, when he accepted the position of secretary and treasurer of the new institution. In 1906 he became vice-president and in 1908 he was elected president. Having worked his way up from the position of messenger to the presidency of the Albany Trust Company, he was so familiar with every detail of the banking business that he had become a most progressive type of executive when in 1911 Governor Dix selected him as the head of the State Banking Department.

Mr. Van Tuyl had long been a personal friend of the Governor, who held him in high regard, and looked upon him as the best available man to institute certain reforms in the department. Mr. Van Tuyl was confirmed as Superintendent of Banks on May 18, 1911. He went into office determined to rigidly investigate the financial institutions of the State, as well as to free his own department from politics, and the record he made showed that he did much in both directions.

Previous to assuming public office, and while at the head of the Albany Trust Company, Mr. Van Tuyl also served as director of the First National Bank of Albany, N. Y.; trustee of the Albany Exchange Savings Bank; director of the First National Bank of Ravena, N. Y.; a director of the Niagara Falls Trust Company, Niagara Falls, N. Y., and director of the Mutual Fire Insurance Company of Albany, N. Y.

Mr. Van Tuyl is one of the most genial and companionable/of men, and is a member of the Metropolitan Club, the Calumet Club, the City Club, the New York Athletic Club, the Ardsley Club, the Albany Club, the Fort Orange Club of Albany, the Albany Country Club, and other organizations. He is also a trustee of the Albany Medical College.

Modern Financial Institutions and Their Equipment

The Bank of Ottawa, Ottawa, Ontario, Canada

PRACTICALLY every city of importance in the Dominion has its own local banking institution of which it is naturally proud, and in this respect the Canadan capital possesses the Bank of Ottawa, founded as far back as 1874, and to-day occupying a position of preëminence in the banking circles of Canada. This bank has been peculiarly associated with the building up of the capital city, and although it cannot claim priority of place in the magnitude of its operations, it can claim, or it can be claimed for it, that from the Dominion capital it worthily sets an example throughout Canada for banking methods.

FOURTH AVENUE BRANCH
THE BANK OF OTTAWA, OTTAWA, ONTARIO

The Bank of Ottawa has the reputation of being one of the best conducted institutions of its kind. Its methods are strictly legitimate and in keeping with the best traditions, and its name stands for stability, caution and conservation in banking. A glance at the personnel of its directorate is sufficient to indicate all this. The men who occupy seats on the board are: The Honorable George Bryson, president; John B. Fraser, vice-president; Messrs. Sir Henry N. Bate, Russell Blackburn, Sir Henry K. Egan, David Maclaren, Denis Murphy, the Honorable George H. Perley and Edwin C. Whitney. Here is a galaxy of the best business talent that could be found on the board of control of any financial concern. These gentlemen represent interests of immense value.

VANCOUVER, B. C., BRANCH
THE BANK OF OTTAWA, OTTAWA, ONTARIO

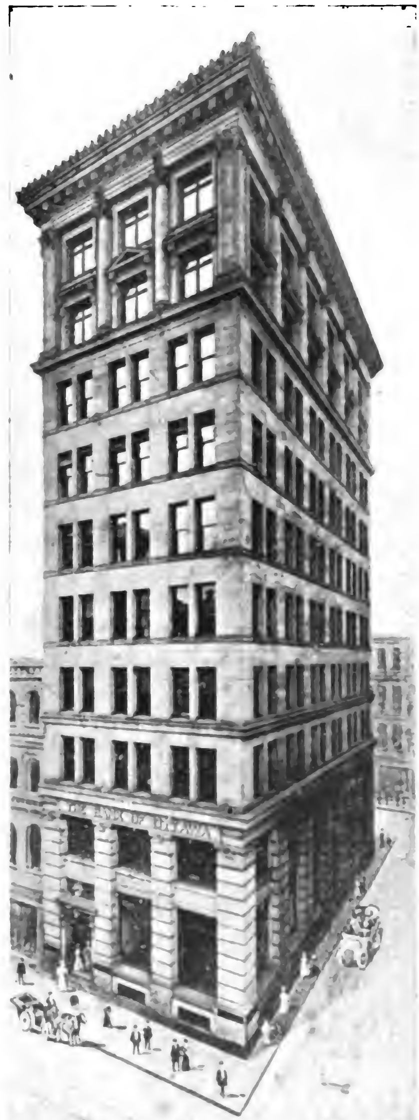
HEAD OFFICE
THE BANK OF OTTAWA, OTTAWA, ONTARIO

TREMONT AVENUE, MONTREAL BRANCH
THE BANK OF OTTAWA, OTTAWA, ONTARIO

They are all self-made men, who have won their way and gained their experience of the soundest business methods in the hardest school. They comprise men whose lives have been spent in banking, commerce, or the exploitation of the great natural resources of Canada, and they bring to bear on the direction of the affairs of the bank all the business acumen that has made them each and all successful.

Necessarily the history of the Bank of Ottawa includes periods in the Dominion's career of alternating prosperity and depression. There is no institution in a country's industrial life that is so reliable a barometer of the state of a country's affairs as a big bank whose operations extend from one end of it to the other, and gazing over the tabulated record of

REGINA, SASKATCHEWAN BRANCH
THE BANK OF OTTAWA, OTTAWA, ONTARIO



MONTREAL BRANCH
THE BANK OF OTTAWA, OTTAWA, ONTARIO

INTERIOR VIEW OF THE WINNIPEG BRANCH
THE BANK OF OTTAWA, OTTAWA, ONTARIO

the Bank of Ottawa it is a comparatively easy task for one acquainted with the history of the country to pick out the years that were lean. It is, however, a remarkable fact that the statements of the Bank of Ottawa show continued and steady progress. There have been no meteoric advances, followed by meteoric declines in its affairs. Taking its affairs from the year 1880 down to the end of 1913, it is found that capital, reserve, deposits, loans and dividends have all increased steadily, indicating the close pursuance through periods of fair and foul industrial and commercial conditions, of a sober, cautious and determined policy of legitimate business.

In that particular period, which embraces the time in the bank's affairs during which Mr. George Burn has been general manager, there have been several periods of financial depression in Canada, but the Bank of Ottawa has progressed despite them, and that is probably the supreme test of banking methods—to keep the institution adding to its resources, extending its operations, earning profits, and progressing all the time, and by example helping to lessen the direful effects of commercial ill-health.

The bank has close upon one hundred branches spread throughout the Dominion.

The principal officers of the Bank of Ottawa are: General manager, Mr. George Burn; assistant general manager, Mr. D. M. Finnie; chief inspector, Mr. W. Duthie.

Mr. Burn is a native of Thurso, Scotland, where he was born April 10, 1847. He began his banking career with the Royal Bank of Scotland, and coming to Canada joined the staff of the Royal Canadian Bank at Toronto. He was appointed general manager of the Bank of Ottawa in 1880, and it was under his control that that institution began its career of real and regular prosperity. Mr. Burn has played many prominent parts in public life, and is a man of keen musical and dramatic tastes. He is associated with many charitable institutions. Mr. Finnie was born in Peterhead, Scotland, July 10, 1849, and had a sound business and banking training there. He came to Canada early in life and joined the Bank of Ottawa at its inception in 1874, taking the management of the only branch the bank then had. This was at Arnprior. Later he was made manager at Ottawa, and subsequently was appointed to his present position. Mr. Finnie has been closely identified with several important public companies. Mr. Duthie, a native of London, England, entered the bank's service in 1897, having previously had ten years' experience with the Ontario Bank. He was appointed inspector in 1905 and chief inspector in 1910.

PEMBROKE, ONTARIO, BRANCH
THE BANK OF OTTAWA, OTTAWA, ONTARIO

THE BANK'S PROGRESS AND PRESENT POSITION

An excellent idea of the present position of the Bank of Ottawa may be had from the report of the directors, made at the thirty-ninth annual meeting of the shareholders on December 17, 1913, as follows:

The directors beg to submit the thirty-ninth annual report, showing the result of the bank's business for the year ended November 29, 1913.

Balance at credit of profit and loss account on 30th November, 1912, was	$269,559.64	
Net profits for the year ended 29th November, 1913, after deducting expenses of management, and making necessary provision for interest due to depositors, unearned interest on current loans and for all bad and doubtful debts, and contingencies	706,740.62	
		$976,300.26
Appropriated as follows:—		
Dividend No. 86, three per cent., paid 1st March, 1913	115,904.82	
Dividend No. 87, three per cent., paid 2nd June, 1913	117,743.86	
Dividend No. 88, three per cent., paid 2nd Sept., 1913	118,254.91	
Dividend No. 89, three per cent., payable 1st Dec., 1913	119,346.19	
Applied in reduction of bank premises and furniture	37,291.03	
Transferred to officers' pension fund	15,000.00	
Transferred to rest account	250,000.00	
		$773,540.81
Balance carried forward at credit of profit and loss account		$202,759.45
The rest account on 30th November, 1912, was	$4,325,480.000	
To which has been added premium on new stock issued	174,520.00	
Transferred from profit and loss account	250,000.00	
		$4,750,000.00

The accompanying balance-sheet gives in detail the condition of the bank as presented in the last annual report:

THE BANK OF OTTAWA

General Statement of Liabilities and Assets as on 29th November, 1913

LIABILITIES

Capital stock paid in	$4,000,000.00	
Rest or reserve fund	4,750,000.00	
Dividends declared and unpaid	120,339.19	
Balance of profits as per profit and loss account	202,759.45	
		$9,073,098.64
Notes in circulation		4,468,075.00
Deposits not bearing interest	7,768,592.08	
Deposits bearing interest including interest accrued to date of statement	33,038,907.18	
		40,807,499.26
Balances due to other banks in Canada		337.24
Balances due to banks and banking correspondents in the United Kingdom and foreign countries		139,059.71
Acceptances under letters of Credit		90,414.51
Liabilities not included in the foregoing		95,746.66
		$54,674,231.02

ASSETS

Current coin held by the bank	$1,031,807.49	
Dominion notes held	4,004,052.25	
Notes of other banks	421,480.00	
Cheques on other banks	2,157,010.57	
Balances due by other banks in Canada	1,565,277.83	
Balances due by banks and banking correspondents elsewhere than in Canada	1,524,129.17	
Dominion and Provincial Government Securities not exceeding market value	1,227,287.32	
Canadian municipal securities and British foreign and colonial public securities other than Canadian	2,020,695.14	
Railway and other bonds, debentures and stocks not exceeding market value	704,743.44	
Call and short (not exceeding thirty days) loans in Canada on bonds, debentures and stocks	497,151.71	
		$15,153,634.92
Other current loans and discounts in Canada (less rebate of interest)		36,472,199.28
Liabilities of customers under letters of credit as per contra		90,414.51
Real estate other than bank premises		165,845.59
Overdue debts (estimated loss provided for)		291,352.97
Bank premises, at not more than cost less amounts (if any) written off		1,700,000.00
Deposit with the Minister for the purposes of the circulation fund		195,000.00
Deposit in the Central Gold Reserves		500,000.00
Other assets not included in the foregoing		105,783.75
		$54,674,231.02

How steadily the Bank of Ottawa has added to its capital and reserve funds, increased its deposits and enlarged its profits, may be seen from the subjoined figures:

These figures present in an impressive way the record of the efficient service the Bank of Ottawa has rendered to the productive and commercial interests of Canada, meanwhile continually augmenting its own strength and thus being in a better position than ever to afford sound service in the future.

ABSTRACTS FROM ANNUAL STATEMENTS OF THE BANK OF OTTAWA, 1883, 1893, 1903 and 1913

Date	Capital Paid-up	Reserve Fund	Deposits	Circulation	Loans	—Dividend— Rate	Amount
1883	$992,578	$110,000	$1,256,407	$556,782	$2,339,345	6	$51,798.10
1893	1,478,910	843,536	4,100,382	1,129,439	6,451,205	8	110,274.65
1903	2,471,310	2,389,179	13,926,367	2,416,731	15,242,750	9	208,743.19
1913	4,000,000	4,750,000	40,807,499	4,468,075	37,260,703	12	471,249.78

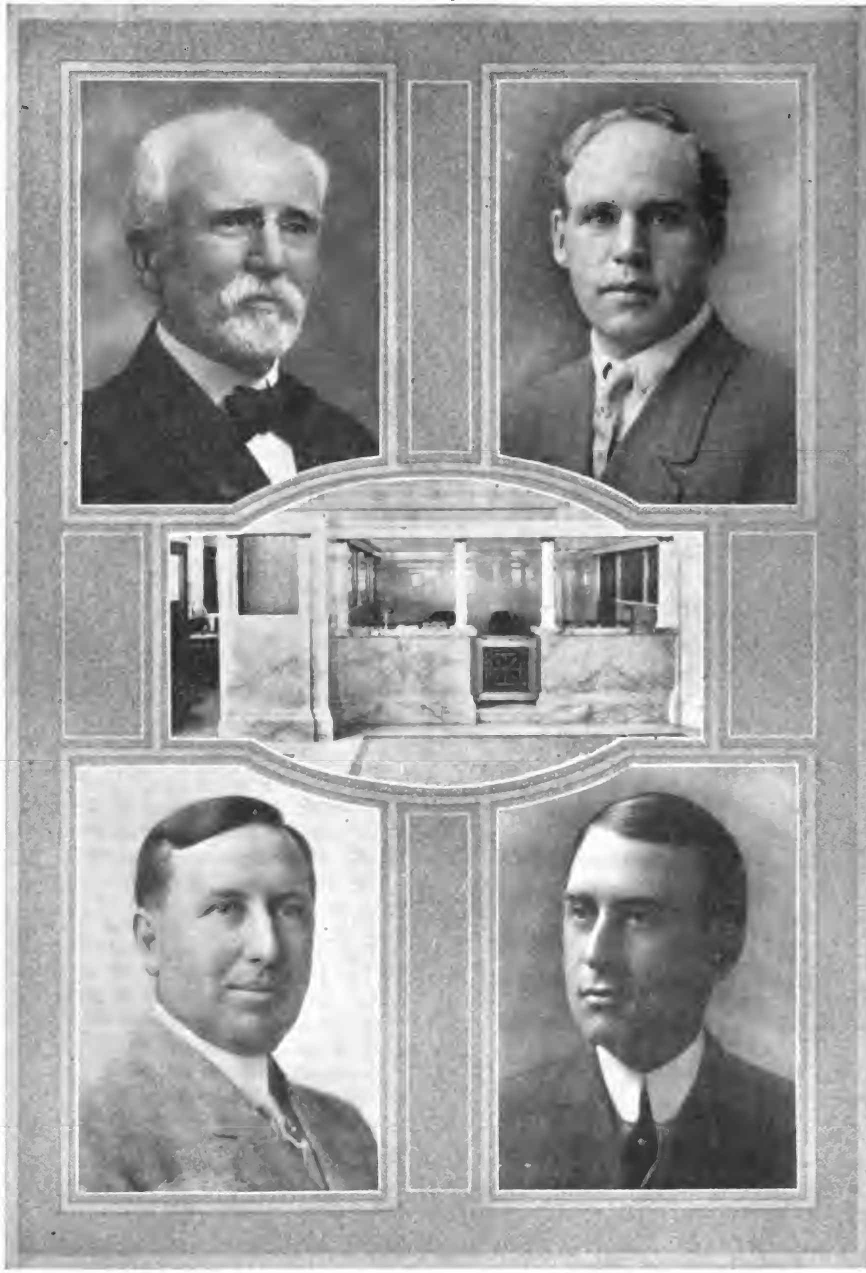
SAN DIEGO SAVINGS BANK BUILDING

ENDORSING DESK, MAIN BANKING ROOM
THE SAN DIEGO SAVINGS BANK, SAN DIEGO, CAL.

The San Diego Savings Bank, San Diego, California

FEW cities in the United States have had a more remarkable growth than that now being experienced at San Diego, California. This growth has a solid basis, for wonderful as has been the development of Southern California, the progress of that favored section of the country is certain to be very much greater in the future. Vast reaches of fertile soil, rich and varied natural resources, a climate that of itself attracts tourists and settlers from almost everywhere, and a live and intelligent population—all these and other factors are making Southern California increasingly interesting and adding to its prosperity. Of the California cities perhaps no one of them is at present forging ahead more rapidly than San Diego. This city possesses excellent harbor facilities and expects to reap substantial advantages from the opening of the Panama Canal, being the nearest to the canal of any American port on the Pacific Coast.

Naturally, the banks are sharing in this prosperous development. They are finding it necessary, in a number of cases, greatly to enlarge their facilities for handling business. This was true of the San Diego Savings Bank, whose new building is described and illustrated below. This institution signalizes its twenty-fifth anniversary by taking possession of new and adequately-equipped banking quarters, affording ample facilities for transacting its increasing business with the greatest attainable degree of safety and convenience. That this move was a wise one is indicated by the fact that on the opening day in the new building (November 22, 1913,) over 15,000 people inspected the new banking rooms, and during the first ninety days the bank was in its fine modern home one thousand depositors were gained,



1.—M. T. Gilmore, Pres. 2.—J. W. Sefton, Jr., Vice-Pres.
3.—E. M. Barber, Cashier 4.—C. L. Reed, Asst. Cashier

(SECTION OF OFFICERS' QUARTERS SHOWN IN CENTER OF ILLUSTRATION)

THE SAN DIEGO SAVINGS BANK, SAN DIEGO, CAL.

MAIN BANKING ROOM
THE SAN DIEGO SAVINGS BANK, SAN DIEGO, CAL.

bringing the total number of depositors up to 12,500—a record which, considering there are twelve banks in San Diego, is certainly noteworthy.

DESCRIPTION OF THE BUILDING

THE San Diego Savings Bank in the fall of 1913 took possession of its new banking quarters, occupying the entire ground floor, mezzanine floor and basement of The San Diego Savings Bank Building, at the corner of Fifth and E streets, San Diego, Cal. The building is a strictly modern Class A structure and is typical of the marked progress that has been made in San Diego in the past few years. The exterior of the building is a combination of cut stone and ornamental iron up to the second story, and in its location on one of the best corners in the business district the new structure presents a most imposing appearance.

The entire bank interior was designed and executed by the Weary & Alford Company of Chicago and Los Angeles, and it stands as a striking tribute to their ability, both artistically and in the practicability of its arrangement. The building is thoroughly modern both in design and materials employed. The purpose of the designers was to create an appearance of spaciousness and at the same time insure an air of comfort and quiet dignity. Safety, convenience and attractiveness are well combined in the new structure.

The space occupied by the bank is approximately fifty by seventy-five feet on the first floor with a story height of about twenty-two feet, and sixty-six by one hundred and twelve feet in the basement.

The banking chambers on the first floor are laid out with a commodious

VIEW OF SECTION OF TELLER'S WICKETS

center lobby twenty-two feet wide the full depth of the floor, and fronting on the lobby are the tellers' windows, twelve in number, two open spaces for cashier and assistants, and private rooms for the president and vice-president.

The design of the interior is most original and distinctive in character, the marbles, woodwork and decorations employed presenting to the eye a color scheme that may be termed a buff monotone, which is brightened by the use of a translucent glass mosaic floor in light greens and yellows of variegated tones, and also by the use of a combination of gold plated and light verde antique treated bronze—the whole blending admirably with the general color scheme.

The ceiling is in canvas, hand painted in water colors and gold stenciled. The doors and metal fittings are of solid bronze. The partitions are of fine plate glass and acid stippled in gold.

For the handling of its business the bank has adopted the unit system, which combines the duties of paying and receiving tellers. The groups of depositors are divided into alphabetical units and each unit is handled by two tellers and two bookkeepers. The tellers are not obliged to leave their cages and the work is rapidly and expeditiously handled. The equipment of the cages themselves is of the most modern type, being entirely of steel with composition tops, and numerous special appliances have been provided to facilitate the handling of the work.

A feature peculiar to this installation is the absence of the usual wire mesh partitions separating the cages, the various devices being so placed and controlled that absolute safety is obtained without the use of disfiguring partitions. Each cage is provided with cash units which at the close of business are locked, transferred to portable busses, and carried to the vaults in the basement on a hydraulic lift.

As above described, the lobby floor is paved with an imported English glass mosaic in rich and harmonious tones, the floor being divided into panels with elaborate borders, while the officers' spaces are overlaid with heavy hand tufted Austrian rugs in light brown tones which blend with the woodwork and furnishings.

The entire counting room and working spaces in the bank are provided with a floor composed of half-inch thick hydraulic pressed cork tile, laid in cement. This provides a noiseless and restful floor covering.

The marble throughout the room is principally in Tavernelle, which carries out the prevailing buff color scheme. The four octagonal columns

LADIES' REST ROOM

in the lobby are clad to the ceiling with this marble, while the counter screen is a combination of Escallette and Tavernelle. Conspicuous in the center of the lobby are two marble endorsing desks with gracefully carved fern receptacles of the same material topping the pedestals. The beds of the endorsing desks are of heavy plate glass on bronze brackets, and the caskets for calendars, checks and deposit slips are of beautifully modeled gold plated bronze. The fronting of the banking room on the lobby is also finished in Escallette.

The bronze work throughout was executed by the Gorham Company of New York and is an exceptionally beautiful example of the art of this manufacturer. The modeling is exquisite and the work throughout is hand chased and as fine in detail as jewelry. The metal work framing the wickets in the counter screen is in a verde antique bronze while the wickets themselves are in gold plate of standard jewelry weight.

The woodwork throughout the first floor is of oak, that in the president and vice-president's offices being in beautifully marked nut brown English oak, richly inlaid. In the other rooms American white oak in a light fumed finish has been used. The furniture throughout is distinctive in design and of a finish to harmonize with each particular room.

ONE OF THE FIVE CUSTOMERS' ROOMS, SAFE DEPOSIT DEPARTMENT

Particular attention has been paid to the lighting of the bank, the indirect system being used. Massive composition fixtures of special design to comport with the heavily beamed ornamental ceiling have been provided and the effect is very restful and in perfect harmony with the general decorative scheme.

A general color scheme has been

SAFE DEPOSIT, CASH AND RECORD VAULTS
THE SAN DIEGO SAVINGS BANK, SAN DIEGO, CAL.

MAIN LOBBY, SAFE DEPOSIT DEPARTMENT
THE SAN DIEGO SAVINGS BANK, SAN DIEGO, CAL.

followed in fitting and furnishing the main banking room on the street floor. The work was done by Holslag & Company of Chicago. The result offers a most pleasing picture to the eye, both on casual and detailed inspection, the general effect being a smooth blending of soft, neutral tints and pastel shades.

This effect has been carried out even in the furniture and upholstering. The fittings in the banking cages are of dark, dull green, built of art metal.

The desks, chairs and fittings in the officers' spaces, which open upon the main lobby of the banking room, are of fumed oak, the newly treated wood, and of English oak, with Russian leather upholstering, the dado of the officers' rooms and spaces being paneled in inlaid oak. The doors are finished in bronze, giving the effect of massiveness, beauty and comfort sought for in the finishing of private homes.

Indeed, the interior of the banking quarters of the main floor impresses one more as being a handsome hall in a mansion than the quarters of a prosaic bank.

Throughout the bank the indorsing tables for use by customers are fitted with transparent plate glass tops, preventing the inadvertent loss or mislaying of papers.

Instead of making the safety deposit department a purely subsidiary feature of the bank itself, the bank has expended much time and attention to detail in working out the quarters for that branch of the business.

In the basement the group of vaults, four in number, have been made the predominating feature, and are so located in connection with the extensive customers' department and the safe deposit lobby as to make it the most imposing layout for this branch of the business on the Pacific Coast.

Customers gain entry through two hydraulic plunger elevators which run from a spacious outside lobby opening into E street, at the rear of the main banking room. These lifts drop the visitor to the basement floor, where

there is a roomy space leading into the indorsing room. This room is fitted with comfortable chairs of fumed oak, upholstered in Russian leather, and solely for the convenience of those having business in the safety deposit department. Two massive glass-topped flat desks afford ample table room. The room is done in green and gold and finished in Grubby tiling and Tennessee marble.

Passing through the indorsing room toward the vaults one is met with a barrier of chilled steel bars. Entry to the vault room is gained through a steel door, which the attendant operates by compressed air.

The vaults are constructed of heavily reinforced concrete and protected further by the use of fifty-six pound iron rails so placed as to make the concrete walls practically impregnable. The safe deposit vault and cash vault are lined with steel and completely encased on the exterior with hand drawn file steel finish plates. The safe deposit vault is very commodious, being eleven feet wide by twenty-four feet long, with a capacity of three thousand safe deposit boxes of all sizes up to sixteen by eighteen inches. The huge door to the safe deposit vault is circular in shape with a total thickness of fifteen inches and a clear opening of eighty-four inches in height. A lowering platform has been provided so that a level walk is obtained into the vault. There is also a well-equipped cash vault, large and commodious filing vault, equipped with the latest designs of steel files, and trunk and package vault equipped with steel files, accessible to sidewalk elevator.

The color scheme and materials employed in the basement are entirely different from those on the first floor. The walls are wainscoted in beautifully variegated Grubby Faience in apple green tones with Tennessee marble base and cap.

Special provision has been made for the comfort of the lady patrons of the bank in the shape of a beautifully appointed retiring room and toilet. These quarters are wainscoted in French gray enamel, and with the mahogany furniture and hangings in old blue velour there is a feeling of luxury and daintiness which is appreciated by this branch of the bank's clientele. This room is fitted with desks, chairs and other essentials for the convenience and comfort of patrons.

Convenient lockers and toilets for

ONE OF THE COUPON BOOTHS, SAFE DEPOSIT DEPARTMENT

officers, employees and customers, and also the storage and machinery room are located in the basement.

The safety deposit vault contains 2,600 boxes of chilled steel fitted in walls of like material and in an enclosing compartment which is practically one large box of steel. The flooring is of an adamant-like mosaic laid in concrete reinforced by steel.

The door opening into this vault is fifteen inches through, six feet in height and weighs thirty tons.

A feature of the floor construction is unique. The immense door is so

wide and high that to open and shut it requires about ten feet of open floor space. This feature is ordinarily met by building the floor on a slant, to provide clearance for the door and also a smooth entrance to the vault. But an elevator floor was built in before the vault. This feature of construction provides clearance for the swing of the huge door through the fact that the floor may be lowered, the door opened and the floor raised again, so that entry to the vault is on a level with the outside and inside flooring.

The great door is fitted with a double combination and quadruple time locks, making the lock the most intricate and impregnable known to modern construction.

On either side of the safety deposit vault are five spacious trustee rooms, into which bank customers may retire for conferences, taking with them the contents of the safe deposit boxes.

This permits customers to hold conferences in private with the actual valuables on hand, yet not requiring leaving the safety deposit department to do so.

In addition to these trustee rooms are twelve private booths into which individuals may retire behind locked doors to inspect or handle contents of the boxes, indorse papers, clip coupons, etc. These rooms contain glass topped flat desks, so that nothing may be mislaid or lost. The attendant is under orders to inspect each room after use by an individual, further to safeguard against lost or mislaid papers or valuables.

Without doubt these are the most modern, convenient and effective safety deposit accommodations offered outside of a few of the larger Eastern cities. And none of the latter have facilities for patrons which excel the accommodations offered by the new bank.

DIRECTORS' ROOM

THIS is sixteen by twenty-four feet in size, and is wainscoted in fumed oak with flush veneered panels, the cornice and division between panels being richly inlaid with ebony and canary wood. The furnishings are in keeping with the richly dignified equipment throughout.

ARRANGEMENT AND CONVENIENCES

THE main entrance to the banking room is from Fifth street. This is through a double-doored vestibule of heavy plate glass and bronze, which insures against rain or wind flurries coming into the banking lobby.

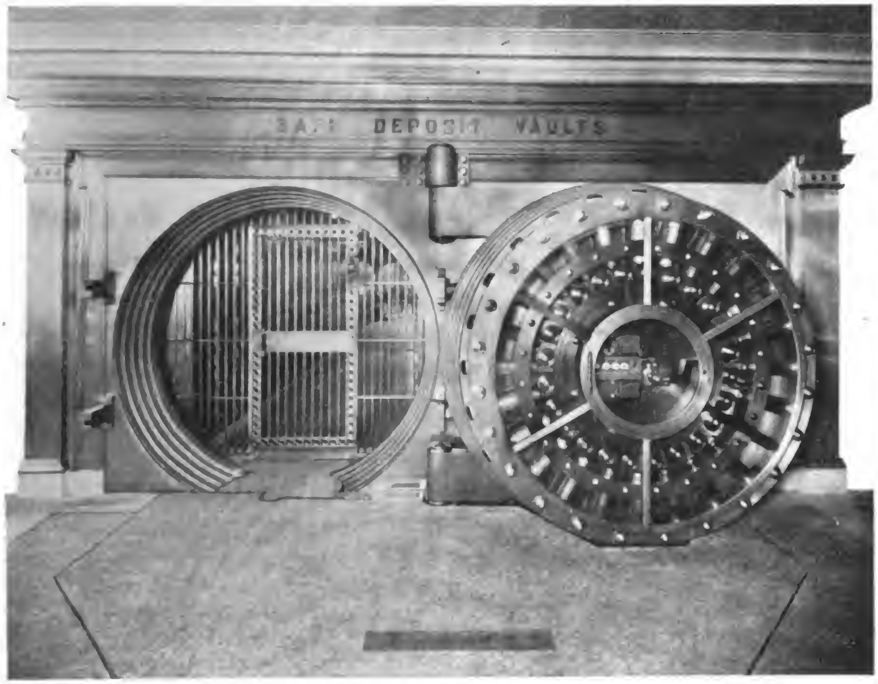
On the right as one enters is the office of M. T. Gilmore, president of the bank. Next this is the office space of E. M. Barber, cashier. Adjoining is the first banking cage. In this cage are two tellers, there being two additional banking rooms beyond, each of which contains two men. Paying and receiving tellers occupy each of the several banking rooms.

On the left as one enters is the office of J. W. Sefton, Jr., first vice-president of the bank, and son of the first president. Adjoining this office is the office space of C. L. Reed, assistant cashier. Beyond that are the banking rooms devoted to notes and escrow, with additional banking rooms beyond.

In each cage two men are placed. This is in order that at all times during business hours at least one man will be on duty at each window to give service to customers.

The cages are each a complete entity and fitted so the men therein may give service at once without the necessity of referring to any other department.

The cages are so built they have an inside open space, three by eleven feet. Back of the cash counters are specially built containers of art metal, constructed after designs worked out by the bank to expedite the handling of business. The containers hold data showing the open ledger accounts, signature cards and pass-books as well as can-



SAFE DEPOSIT VAULT
THE SAN DIEGO SAVINGS BANK, SAN DIEGO, CAL.

celled checks. Thus each teller is able to givé a customer accurate information as to his account within a few seconds after receiving the request. This obviates referring a customer from one window and department to another.

In addition, each cage is fitted with an arrangement whereby the teller places his cash and accounts at the end of a day's business in a separate cash chest of chilled steel. These chests at closing are lifted on a bus and taken to the elevator, which lowers them to the vault floor. They are then wheeled to the cash vault and each teller locks his own cash chest in an individual compartment.

This method insures each man's accounts being separate with the corresponding cash on hand. The system itself acts as an automatic check.

The vault room contains four separate vaults. These are for the safety deposit boxes, for cash, for books and filing and a trunk and storage vault. In this latter accommodations are such that one may place trunks or luggage containing valuables in storage at the bank with all the convenience and surety of the safety deposit vault.

The mezzanine floor of the building is occupied by the steamship and tourist agency of the bank and is fitted up in light fumed oak throughout and includes a well-appointed private room for the use of customers.

CITY'S OLDEST SAVINGS BANK

THE San Diego Savings Bank has just completed a quarter century of history. Its inception dates back to January, 1889, when the enterprise was seriously considered, and M. T. Gilmore, now president, went to San Francisco to study plans and arrange for necessary equipment.

On April 15, 1889, the charter was received from the State of California and the San Diego Savings Bank com-

menced business with an authorized capital of \$200,000 and a paid-up capital of \$20,000, which was soon increased to \$40,000. Since then the entire authorized capital has been paid up out of earnings and a surplus of \$350,000 accumulated.

The first officers were O. J. Stough, president, and M. T. Gilmore, cashier. After serving for one year, Mr. Stough resigned the presidency and J. W. Sefton was elected to the office, which he held up to the date of his death in 1908. He was succeeded by M. T. Gilmore, who had been elected vice-president in 1908. J. W. Sefton, Jr., was then elected vice-president to succeed Mr. Gilmore. E. M. Barber became associated with the institution in 1895 and rose rapidly from teller to cashier, which position he holds at the present time.

C. L. Reed entered the service of the bank in 1906 as note teller and was elected as assistant cashier in 1911.

These officers, with the following, compose the directorate: Dr. R. M. Powers, former president of the Bank of Commerce and vice-president of the American National Bank of San Diego; A. H. Sweet, prominent attorney, and corporation counsel for a number of leading San Diego concerns; C. L. Williams, cashier of the American National Bank: Dr. J. Perry Lewis, one of San Diego's leading physicians and surgeons; Dr. F. R. Burnham and W. M. Crouse, both retired capitalists and leading citizens of San Diego.

In 1894 the bank moved to quarters in the Keating Block, Fifth and F streets, where it remained for nearly twenty years, or until November 22, 1913.

The early history of this bank is one of steady growth fully proportionate to the size and development of the young city. Organized and maintained by experienced financiers, its backing has been substantial, its methods sound and efficient and its entire policy one of progressive conservatism.

Book Reviews

THE LIFE OF JOHN AND ROSE. By John Schuette.

THIS interesting and helpful volume was written, says the author, primarily for the purpose of inculcating the habit of saving. It is very instructive from that standpoint and likewise contains many entertaining accounts of travel and experiences, as well as a great deal of sound discussion of live public questions. Mr. Schuette is president of the Manitowoc (Wis.) Savings Bank, and the suggestions contained in this attractive story are the results of successful experience.

WHO'S WHO IN AMERICA. Chicago: A. N. Marquis & Company.

IT is the aim of this work to give a brief personal sketch of the notable living Americans in all parts of the world, with their appended addresses. The usefulness of such a volume is apparent. The book is published every two years, the present edition being the eighth volume thus far published.

MCGRAW ELECTRIC RAILWAY MANUAL. 1914; issued annually in connection with the "Electric Railway Journal." New York: McGraw Publishing Company, Inc.

THAT the street railways have grown to such an extent as to call for the annual publication of a "Red-Book of American Railway Investments," is an indication of the magnitude of this important branch of the transportation industry.

The Manual deals extensively with the various matters relating to street and interurban railways, and is an exceedingly valuable book for the banker and investor.

Commercial Progress of United States

IN the basic elements of economic progress the United States ranks high among the nations of the world, being one of the five countries only which have an area in excess of three million square miles, and the only nation of the western world (except Russia) having a population of over 100 million. In the interchange of products among its own people it leads the world, its home trade at the present time being estimated at nearly forty billion dollars, or equal to the international exchanges of the world and approximately ten times the value of our own foreign trade, now valued at four billion dollars.

That our present foreign trade is far short of the immediate possibilities of the nation is evident from a consideration of its area, commerce and other economic factors in comparison with that of other leading countries, as set forth in comparative tables published in the "Statistical Abstract of the United States, 1913," compiled by the Bureau of Foreign and Domestic Commerce, Department of Commerce. Thus the present export trade of the United States (two and one-half billion dollars) represents about $25 per capita. A per capita basis equal to that of Argentina would raise the export power of the United States to five billion dollars; and one equal to that of Belgium would bring its exports to ten billion dollars a year; while our aggregate foreign trade, when upon a per capita basis as large as that of Canada would be considerably over thirteen billion dollars a year.

Other comparative tables in the "Statistical Abstract" further emphasize the commercial power of the United States and its strong international position. In railway mileage, for example, we possess one-third of the world's total, our 258,000 miles being ten times as much as the mileage of the United Kingdom and six times that of Germany. One company alone has 238,000 miles of telegraph lines, or double the total in Russia, next in order. More than one-third of the world's mail service is performed upon routes located in the United States, while our public debt of one billion dollars is smaller than that of Italy, Austria-Hungary, Spain, Germany, Australia, Japan, British India or Great Britain, and is less than one-sixth that of France, and one-fourth that of Russia.

Temporary recessions have frequently marked the course of American commerce, but the tendency, according to historical tables published in the "Statistical Abstract," is ever higher. In eleven years, from 1890 to 1901, our foreign trade grew from one and one-half billion to two and one-quarter billion dollars, an increase of fifty per cent., while in the eleven years from 1902 to 1913 it increased from two and one-quarter to four and one-quarter billions, a gain of ninety per cent.

The foundations of this growth are laid deep in the soil and natural resources of our country and in the character of our people. Thus the American Union, from thirteen States having 325 thousand square miles and one million people, has expanded to forty-eight States and the territories of Alaska, Porto Rico and Hawaii, with an area of three and two-thirds million square miles and 100 million people. In the period since 1870 the value of our farm products has risen from two billion to about ten billion dollars a year; the output of coal from less than thirty to nearly 500 million long tons; copper from twelve and one-half thousand to over one-half million tons; pig iron from two to thirty-one million tons; petroleum from 221 million to nine and one-quarter billion gallons; and manufactures from four billion to over twenty billion dollars.

Foreign Banking and Finance

European

LONDON BANK MERGER

THE London "Statist" of recent date has this to say about the latest bank merger:

"The struggle for supremacy as the largest bank is evidently becoming severe, and the natural result is, of course, the gradual disappearance of some of the smaller institutions. The latest bank to decide to sink its individuality and dispose of its business to one of the big absorbing institutions is the Metropolitan Bank (of England and Wales), Ltd., the directors of which have entered into a provisional agreement for the disposal of the business to the London City and Midland Bank, Limited.

"The Bank was formed in 1866 as a Birmingham institution, and the business was confined to Birmingham until 1874, when a branch was opened at Walsall. The bank ranks among those whose business in its present form largely represents a series of amalgamations, and of the total number of offices at present open, viz., 165, no fewer than ninety-eight were brought in by various amalgamations. The businesses that have been acquired are those of the Stourbridge and Kidderminster Banking Company in 1880; the Staffordshire Joint Stock Bank, Limited, in 1888; Messrs. Cooper, Purton and Company, of Bridgnorth and Much Wenlock, and the Royal Exchange Bank, Limited, in 1889; the South Wales Union Bank, Limited, in 1892; the National Bank of Wales, Limited, in 1893; and the Kington and Radnorshire Bank in 1910. Its authorized capital is £7,500,000, and there is paid up £550.000. The shares are £50 each, being paid up to the extent of £5 per share.

"The agreement provides that eleven shares of £12 each, on which £2 10s. per share is paid up, of the London City and Midland Bank, Limited, shall be given for every seven shares £5 paid of the Metropolitan Bank. When the amalgamation is carried into effect the figures of the London City and Midland Bank will be approximately:

Authorized capital	£28,200,000
Subscribed capital	22,944,000
Paid up	4,780,000
Reserve fund	4,000,000
Deposits about	105,000,000

"The Metropolitan Bank has some 165 branches and agencies in operation. Possibly it will not be necessary to keep all these open, inasmuch as the Midland Bank is already represented in many of the places, and especially in the case of some of the smaller towns it will hardly be necessary to have two offices of the same institution. The evolution of English banking towards a state of control by a comparatively few large institutions is proceeding apace, and it may be anticipated that the struggle for supremacy will become all the more keen as the smaller institutions are swallowed up. In order to show the magnitude of the operations of our leading banks we set out herewith a statement of the deposits given in the last published statement:

London City and Midland Bank	*£105,951,011
Lloyds Bank	105,210,059
London County and Westminster Bank	89,425,093
National Provincial Bank of England	69,181,675
Barclay and Company	60,805,753
Parr's Bank	46,813,785
Union of London and Smiths Bank	39,482,044

*Includes the deposits of the Metropolitan Bank of England and Wales as at December 31, 1913."

Australasian

BANK OF ADELAIDE

THE annual meeting of shareholders of the Bank of Adelaide was held at the head office, Adelaide, May 6. A. G. Downer, chairman of the board, being unavoidably absent, James Harvey presided. Mr. Harvey, who has succeeded Mr. Downer as chairman, spoke of the twenty-five years of experience and conspicuous abilities which Mr. Downer had placed at the service of the board and with much advantage to the bank.

Although the annual report showed that owing to a falling off in returns from agriculture for the past three years—and last season being the least favorable of all—the bank's profits had shown a decline of some £9,000 compared with the previous year, the ten per cent. dividend rate had been maintained and £20,000 added to the reserve fund, making that account now £510,000, or £10,000 in excess of paid-up capital.

Net profit for the year ended March 31, after making all necessary deductions, was £76,227.

WESTERN AUSTRALIAN BANK

VERY satisfactory figures were given by the chairman of the directors of this bank at the half-yearly meeting of shareholders in Perth, May 6. Profits of more than £74,000, added to over £49,528 brought forward from the preceding half-year, made a total of £124,429.

W. T. Loton, chairman of the board, gave some interesting figures relating to the bank's progress. The reserve fund is now £680,000, making with the paid-up capital, £930,000.

In the year 1908, at the half-yearly meeting corresponding to the present one, the paid-up capital was £175,000 and the reserve fund £431,560. They had then deposits aggregating £1,923,415, bills receivable and all other advances £1,787,277, and specie and bullion £763,981. The net profit for that half-year was £23,567. In the year 1910 the capital had been increased by the issue of 2,500 shares, bringing it up to £200,000, and the reserve fund to £187,000. Following that, in 1912 there was a further issue of 5,000 shares, being the balance of the authorized issue, bringing the capital up to £250,000. The reserve fund was then £640,000, having been augmented by the premium on the new shares sold, and by a certain amount from reserved profits.

In view af the country's continued development, Mr. Loton suggested that the shareholders might with propriety consider a further increase of capital in the near future.

AUSTRALASIAN BANKING

AT a meeting of the Institute of Bankers of New South Wales some time ago, Mr. J. Russell French, general manager of the Bank of New South Wales, delivered his address as president of the Institute, giving some interesting experiences of banking in Australasia. Part of his address appears below:

"I think that the time cannot be far distant when the British banking authorities will not only think it necessary for each bank to take its share in providing a sufficient coin reserve for the great settling center of the world, but will cause such reserves to be published at frequent intervals so that the quantity may be known, and in that case I feel sure the result would be reassuring and steadying. The force of public opinion and newspaper criticism would prove too strong for the most careless and venturesome to resist them for long, and the effect in the long run would be to strengthen the financial position generally.

"Of course, I cannot forget that there are some critics who are averse to large coin holdings, who view them as wasteful and not necessary, a lock-

ing up of useful money which might be lent out with advantage. So far as Australasia is concerned, looking back over fifty years of banking, I cannot admit to myself that there has ever been a time when the coin reserves have been too high. Nay, I will say that until comparatively recently the tendency was to keep them too low. The experience of the world has shown, and more especially during the last year or two, that whatever the banker can afford to lose sight of, he cannot afford to trifle with the gold reserve; and I am glad to say that at the present time Australasian bankers are quite alive to their duties in this respect.

"When I look back over my fifty years I always feel a large amount of pride and admiration for the institutions which have carried on the work of banking in this country.

"In the sixties the population and trade of Australia were small, and New Zealand had hardly made a start. The business of the banker was very limited and his operations did not extend nearly so far among the people of the country as they do now, when banking is practically brought home to every man's door. But it is a standing tribute to the men who directed and managed the institutions in those days, that for all practical purposes they provided all that was needed as a framework on which their successors have built up the great establishments which are now working.

"Comparatively little change has taken place in the constitutions of the banks which were in existence then; and those which have been brought into existence since have adopted much the same constitutions. And those constitutions for the most part have been

sufficiently elastic to meet all the varied changes which have taken place in the development of our country during the past fifty years.

"There have been times when the banking facilities have gone ahead of the natural development of the country—when competition between bank and bank was excessive and bankers have led the way and thrust money on people in the shape of loans. I must acknowledge these things and also admit that there are few, if any, who have not paid the penalty of such a policy in heavy losses.

"The growth of our country has not been one steady movement forward, but has been characterized by ups and downs—waves of prosperity and depression. Bankers have had to take their chances according to the circumstances of the time. You have only got to look at a table of the rates for deposits for the last forty years, to go no further back, to realize what a change has come over the banking of the latter half of that forty years. None of the younger generation of the bankers of this day, who have been accustomed to a steady rate from year to year, and even in extreme cases—as recently—varying by a half per cent. only, can realize what it meant to have constant changes and potent fluctuations. Much of this arose out of the times, of course, which were more or less feverish and unsteady in respect of financial matters.

"When one calmly considers and reflects on the state of affairs which prevailed for the twenty years prior to 1893, and which is very aptly illustrated by the fluctuations of the deposit rate—a sure index to what was going on, so we now know—one realizes that something like the catastrophe of 1893

was sure to overtake the country. That is after the event. Contrast with the rates of before 1893 those of the succeeding twenty years, and you will realize that gauged by this standard—and you will, I think, agree with me that it is a true standard—the banks have been instrumental in bringing about a steadiness in the financial conditions of the country which has been a valuable factor in its development.

"It is no part of my mission to claim for the banks in this country any undue share in its colonization. Their first business no doubt has been to make a profit for their shareholders. But I do claim that concurrent with this duty has been a sense of their obligations to the public from whom they derived their business, which, in spite of mistakes and some disasters, has on the whole proved them to be worthy of the enormous responsibilities which have been entrusted to their care.

"There has been another change in the banking conditions of the last twenty years as compared with the preceding twenty years, and that is the position of the Australasian banks in relation to London. The facilities for acquiring money at that end and the apparently unlimited use which might be made of it at this end, caused practically every bank in this country to take deposits in England and Scotland for use here; and the amount of that money held in 1893 was in the aggregate very [illegible]e. But since that time the policy of the banks has been entirely reversed. The deposits have been paid off, and not only so but a considerable amount of the spare funds of all the banks is kept in London—the result being that in place of the banks here being debtors to London, London is debtor to us. This, of course, tends to strengthen the position very materially and is a factor which works with the evenness of the deposit rates to bring about the steadiness in the banking operations here which, I think, is so desirable for our welfare.

"A reference may be allowed to another change which has taken place in our banking operations during my career; and that is the withdrawal of the note circulation from the banks. In 1863 the note circulation of the Bank of New South Wales was equal to one-fifth of its deposits. In the year that the circulation was taken over by the Federal Government, the circulation did not equal one twenty-fifth of the deposits. I have spoken about the part the note circulation of the banks has played in the financial development of the country many times since I have occupied this chair, and I only refer to the subject now because some people have attached a good deal of importance to the withdrawal from the banks of this portion of their resources. From a financial point of view the banks have not been affected by the change to any extent worth considering; and provided the Commonwealth Government maintain suf-

ficient coin backing for the notes there is not likely to arise any harm otherwise."

INCREASE OF DEPOSITS

REVIEWING the statements of twenty-two banks transacting business in Australia and New Zealand, the "Australasia Insurance and Banking Record" says that the great feature of the returns for the first quarter of 1914 is the large increase in deposits, this being the result of the good season and the increase in the aggregate value of Australian production during 1913-'14. Of this result the monthly report returns of the Commonwealth have given evidence in the expansion shown in comparison with the corresponding period of the 1912-'13 season. The 1913-'14 wool clip has shown a recovery after the falling-off which took place in the 1912-'13 season, and the wheat harvest has in the aggregate turned out somewhat larger, according to the official statistics.

As the proceeds of the various forms of production have become available they have gone to increase the volume of bank deposits, more particularly in the first place in the form of deposits not bearing interest. With a large increase under this latter heading the proportion of fixed to total deposits has declined for the present. Against a heavy increase in deposits, a reduction is shown by advances, in comparison with both the previous quarter and a year ago, and the combined effect of the movements in deposits and advances has been to strengthen materially the position of the banks. This has been accompanied by a substantial increase in their cash holdings, resulting from the change in the balance of trade produced by the expansion in Australian exports of merchandise, and from the large Government borrowings in London, gold exports being small for some time past.

The increase in total deposits during the past quarter is £9,250,828, of which £7,474,593 is in Australia, and £1,776,235 in New Zealand. The magnitude of the increase is altogether unusual. Increases of over six millions in the total took place in the first quarter of 1905, 1906 and 1907; while the first quarter of 1910 witnessed an increase of £8,066,839, and the first quarter of 1911 an increase of £416,051.

Asiatic

BANKING AND FINANCE IN HONGKONG

FROM Consul-General George E. Anderson comes the information that the last financial year in Hongkong was satisfactory. Local banks had a profitable year both in exchange and ordinary banking. Considerable

sums of money were locked up in the stock of silver held in Shanghai and Hongkong for portions of the year as a result of the political disturbances. These disturbances also restricted credits which reduced the volume of business of the banks in some lines. However, practically all of the banks paid the usual dividends. Insurance companies, which are of large concern in Hongkong, report a prosperous year.

The chief unfavorable factor in the year's finances and its trade in general was in the troubles growing out of the issues of paper currency by the various provincial governments in South China, particularly by the Government of Kwangtung Province. The issue of all such notes in China, according to a public statement issued in Peking, aggregated $129,574,365 local currency. In some parts of the country they circulated at par or substantially at par, but in most Provinces they circulated at a discount which at times represented more than half their face value. Most of the latter part of the year the notes at Canton circulated at about sixty per cent. of their face value and the natural result was widespread discontent and demoralization. The inflation of prices, especially for foreign goods, the avoidance of contracts, the restriction of credits, and all other ills usually attending such a monetary circulation, were keenly felt and were especially effective in their results on the sale of staples like American flour and kerosene.

Latin-America

CHILE

THE American consul at Valparaiso reports that Schwager & Company are to erect a four-story and basement reinforced concrete fireproof bank and office building in Valparaiso to cost about $150,000. It is to be up-to-date, with passenger elevators and forced ventilation. and will be completed by July 1. 1915.

Small Check—Large Amount

IN payment for the two battleships, "Idaho" and "Mississippi," sold to the Greek Government, Secretary Daniels was handed a check for $12,535,275.96 by the Newport News Shipbuilding and Dry Dock Company. This check, though for a very large sum, was of pocket size, on La Monte National Safety Paper, and drawn on the Riggs National Bank, Washington, D. C., to the order of the Secretary of the Navy. The vessels have been renamed "Lemnos" and "Kilkis." Their place in our navy will be taken by two new dreadnoughts.

Why American Banks Are Needed in Foreign Countries

Views of Alba B. Johnson, President Baldwin Locomotive Works

MANY of the reasons given for the establishment of American banks in foreign countries were declared to be unsound in an address made some time since by Alba B. Johnson, president of the Baldwin Locomotive Works. But he gave what he considered as the real reasons why it would be advantageous to our commerce to have American banks in foreign countries. He said:

We hear much of the need of American banks for extending foreign trade. It is not true that there is any difficulty whatever at present in carrying out all the banking operations necessary for making remittances, establishing credits, etc., between New York and Central and South American countries. The existing banks having their head offices in London and their branches in New York and in all the commercial centers of Central and South America furnish every necessary facility for making collections and remittances. These British banks do little or nothing, however, for the extension of American trade. The real need of American banks abroad is to furnish experienced representatives of American financial interests, capable of seeing profitable opportunities for the investment of American capital and held in such confidence by American investors that when opportunities for profitable investment are presented they will be taken advantage of. The English banker naturally presents such opportunities to English capital, the French banker to French capital, and so on. It is difficult to determine whether American interests in foreign countries must precede the establishment of American banks in those countries, or whether the establishment of the banks first will lead to the development of American interests, but at present we have no such American banks, and Americans are comparatively unaccustomed to the idea of foreign investment. In the development of the vast and virgin resources of South America business opportunities are constantly offering quite as profitable as any in our own country. I hope that under the new currency bill, which permits our banks to establish foreign branches, this need will be supplied.

Another need for American banks is for giving merchants and manufacturers immediate information as to the credit of foreign buyers. Our commercial agencies are not yet able to render efficient service in this particular, and therefore the charge that Americans are less disposed than foreign competitors to grant customary credits is true. This is due in part to the fact that for the most part the houses engaged in the exporting and importing business are comparatively small, and their credit is not well established. The custom of the South American buyers is to require documents accompanying time drafts to be delivered to them on acceptance, thus substituting their obligation in place of actual title to the goods. A method of handling such drafts, so far as the banks are concerned, is for them to draw bills on London the proceeds of which are paid to the manufacturer or exporter against his draft, with shipping documents attached, at sixty or ninety days, on the South American customer. Of course, however, as above mentioned, the exporter assumes the risk of ultimate payment.

The financial necessities of the foreign manufacturer are in nowise different from those of the American, but through the English or German banks their manufacturers are able to ascertain immediately the character and responsibility of the foreign buyer. By a system of acceptances at three, four or six months the banker, in fact, furnishes the credit which places the British or German manufacturer at an advantage over the American. Another system sometimes used is that of German bankers granting book credits up to fixed amounts, against which the foreign agent can draw, paying interest only on the money actually outstanding, plus a small commission. Neither of these systems has as yet become established in American commercial usage.

Views of John J. Arnold, Vice-Pres. First National Bank, Chicago

John J. Arnold, vice-president of the First National Bank of Chicago, in discussing American facilities for banking in South America—a subject with which he as manager of the foreign department of his bank is thoroughly conversant—says:

American facilities for banking in South America are negative.

The new federal reserve act provides that national banks may establish branches outside the United States, but as the field in South America for an American bank is

to be developed, the initial expenses would probably be more than one bank would care to undertake.

Therefore, in my opinion, and I am only reflecting the general views of bankers and business men who are familiar with the trade extensions America, and particularly Chicago, is trying to make, an American bank for South America should best be organized, operated and owned by a number of American banks.

English banks own the London and Brazil Bank and the London and River Plate Bank; German banks own the Banco Aleman Trans-Atlantico; Italian banks own the Banco de Italia, and French banks own the Banco Frances, all of which, in their respective fields, exercise in South and Central America a tremendous influence over the course of international trade.

For example, a firm approaches a bank for credit upon which to make purchases of machinery, dry goods, automobiles or shoes.

South Americans standing in this office have told me that if it was the original intention to buy these goods in America the credit would not be extended by the bank approached, which very naturally boosted wares of its own country as an accumulated policy of international trade and finances.

In the vast majority of cases the order would be switched according to the inclinations of the banker, and the trade would go to the country from which sprang the bank.

Invasion of South America by American banks will have to proceed slowly, however, for if you were to offer fine jobs and beautiful homes to every competent employee, you could not find enough young men in the United States who understand foreign exchange and foreign trade relations to fill the positions created. They must be educated, just as they have been in England, France and Germany.

The whole foreign trade question is too big to be left to any one civic organization. We are standing on the threshold of new trade fields richer than any of us have ever dreamed of.

Banking and Financial Notes

EASTERN STATES

New York City

—About April 1 the Empire Trust Company will move from 42 Broadway into the Broadway and Pine street corner of the new Equitable Building now under construction.

—Owing to his appointment as a member of the Federal Reserve Board, Paul M. Warburg of Kuhn, Loeb & Company, has resigned as a director of the National Bank of Commerce.

—A useful "income Tax Record Book" has been prepared by the Guaranty Trust Company, and is being sent out with the company's compliments. The book consists of three parts: An "income register," an "allowable deduction register," and a "securities register." It is attractively printed and conveniently arranged, and should prove of value to all who find it necessary to keep an exact record of their income.

—Dwight W. Morrow, of the law firm of Simpson, Thacher & Bartlett, became a member of the banking firm of J. P. Morgan & Company on July 1, as well as of the associated houses of Drexel & Co., Philadelphia; Morgan, Grenfell & Com-

pany, London, and Morgan, Harjes & Company, Paris.

—J. P. Morgan has resigned as a director of the National City Bank and the National Bank of Commerce, complying with the terms of the Federal Reserve Act.

—The Hanover National Bank's statement of June 30 showed a total balance sheet of $138,018,268. Individual deposits were $45,007,696, and bank deposits $74,673,811. Surplus and profits total $15,054,767.

—It is reported that the Salisbury (Md.) National will purchase the assets and take over the business of the Peninsula Trust Company. This institution has $100,000 capital and $10,000 surplus, while the Salisbury National Bank has recently increased its capital to $80,000 and has $121,000 surplus.

—Bankers of Maryland, holding their annual convention at Cape May, N. J., June 18, elected these officers: President, George R. Gehr, cashier First National Bank, Westminster; first vice-president, Harvey L. Cooper, president Denton National Bank; vice-presidents, Alban T. Thomas, president Savings Institution of Sandy Spring; William S. Hammond, cashier First National Bank, Baltimore; L. J. Sterling, cashier First National Bank of St. Mary's Leonardtown; Louis N. Getz, cashier Washington Trust Company, Ellicott City, Tucker W. Sands, vice-president Farmers and Mechanics' Bank, Seat Pleasant; C. S. Pyle, president National Bank of Rising Sun; Frederick G. Boyce, Jr., vice-president Mercantile Trust Deposit Company; Lewis J. Ort, vice-president First National Bank of Midland; C. C. Shriver, president Metropolitan Savings Bank, Baltimore; secretary, Charles Hann, assistant cashier Merchants-Mechanics' National Bank, Baltimore; treasurer, William Marriott, cashier Western National Bank, Baltimore.

Committee of Administrators—William C. Page, president Calvert Bank; Daniel Annan, president Second National Bank, Cumberland; Waldo Newcomer, president National Exchange Bank, Baltimore; Joshua W. Miles, president Bank of Somerset; T.

Rowland Thomas, president National Bank of Baltimore.

The retiring president, William C. Page, was elected chairman of the administration committee.

After the meeting the members of the American Bankers' Association met and elected Levi B. Philips, president of the National Bank of Cambridge, a vice-president for Maryland, to succeed Francis M. Wilson of Pocomoke City, whose term had expired. Isaac L. Price, of the Peoples National Bank, of Salisbury, was chosen a delegate to the general nominating committee of the next convention of the association.

—The Citizens National Bank of Englewood, N. J., which is just completing a quarter century of efficient banking service to its community, has recently taken possession of its remodeled banking rooms. An improvement has been made in the entrance, the level of the banking floor lowered to that of the street, and the interior refitted in excellent taste and style. Officers of the bank are: President, Clinton H. Blake; vice-president, S. S. Campbell; cashier, A. Cornelius, Jr.

At a cost of about $200,000 the West Side Trust Company, Newark, N. J., has erected a fine marble building on a granite base. The equipment throughout is of the best, and includes three vaults of modern type. In twelve years the resources of the West Side Trust Company have grown to over $3,800,000.

—On June 22 the Dollar Savings Fund and Trust Company of Allegheny, Pa., moved into its new six-story stone building, the bank occupying the first and mezzanine floors, the other portion of the building being used for offices.

—Pennsylvania bankers held their annual convention at Bedford Springs June 26 ad 27. Secretary Kloss reported that the new members received during the year exactly equalled those dropped from the rolls, leaving the net membership unchanged.

President Evans, in his annual address, paid his respects to those who are seeking to shirk the burdens of legitimate labor and to put too much dependence in legislation. He said:

"The gist of the new preaching is that the chief aim in life is to play. They rebel against the ancient doctrine that work is not only a duty, but also a benefit to mankind. In school and college in these days the youth who plays best is highest honored and the youth who works best is most despised. The standard of interests prevailing in school and college go with the youth out into the life of the world. Labor is looked upon as irksome and to be escaped, if possible. In former times, thrift went hand in hand with labor, and was recognized as a virtue. Today thrift is anathema with a large percentage of our population. To spend and to waste bring praise.

"Under the old order of things the man who labored, whether in the humblest or highest position, was valued and regarded on account of his efficiency and growth in capacity. The doctrines of organized labor today encourage and demand equality of work and uniform result. Men must still work, but they must be careful not to work too long, nor too hard, nor too well, and to be sure to watch the clock.

"The aim is to reduce all craftsmen to a uniform dead level. The real things accomplished in the past in this country and in the world have resulted from work of body

and mind, the hardest work, the best work, man's striving to his utmost. The new theory of half-hearted work and of much play has yet to be tested out by results.

"This mental attitude toward labor and thrift has had a potent influence upon the written law and its administration. A great undigested mass of statute law has been enacted to gratify the demands and theories of those who seek a new social system. There has been a conflict between those who stand by the old doctrine and those who seek a change.

"The followers of the new doctrine are restive under the process of evolution in the law and would have immediate revolution. The criticism of the law and of its administration and the fault finding against judges is founded not upon the failure to properly administer the law, but upon the failure to administer it according to the wishes of the critics."

Arthur Reynolds, president of the American Bankers Association, in discussing the new currency law, said that its success would depend to a large extent upon whether the control and management of the Federal Reserve Banks were left with the officers of those banks or exercised by the Federal Reserve Board.

A. S. Beymer, cashier of the Keystone National Bank, Pittsburgh, was chosen to represent Pennsylvania as vice-president of the American Bankers Association, and Montgomery Evans, retiring president of the Pennsylvania Bankers Association, Charles S. Calwell, president of the Corn Exchange National Bank, Philadelphia, and W. H. Paynter, cashier of the West Branch National Bank, Williamsport, were named as new members of the executive council of the American Bankers Association. Prior to adjournment, the Pennsylvania Bankers Association elected these officers: President, L. T. McFadden, cashier First National Bank, Canton; vice-president, E. P. Passmore, vice-president and cashier Franklin National Bank, Philadelphia; treasurer, C. J. Nieman, cashier First National Bank, Leechburg; D. S. Kloss, cashier First National Bank, Tyrone, was re-elected secretary.

—Bank supervising officers of the United States assembled in annual convention at Atlantic City, N. J., July 6, Joseph H.

Doyle, Bank Commissioner of Michigan, presiding. The convention was welcomed by George M. LaMonte, Commissioner of Banking and Insurance for the State of New Jersey. In his annual address, President Doyle suggested that bank officers be paid an adequate salary and prohibited from engaging in outside business.

NEW ENGLAND

—At the close of business June 25 the Bay State Trust Company, Boston, was absorbed by the Old Colony Trust Company, becoming a branch of the latter.

—A contract has been given the Bankers Building Bureau of New York for a new building for the Broadway Bank and Trust Company, New Haven, Conn.

—Plans have been made for a new bank building to be put up by the Middletown (Conn.) National Bank. The building will be 36x107 feet, 40 feet high, with marble and granite front, the remainder of the walls being of brick, with stone trim.

—The Blackstone National Bank, Uxbridge, Mass., and the Uxbridge Savings Bank are now installed in their new building, which is most attractive in appearance and both in construction and fitting meets the demands of modern banking.

—Several hundred bankers from Maine, New Hampshire and Massachusetts assembled in joint convention at the Hotel Wentworth, Portsmouth, N. H., June 27. Addresses were delivered by John Kendrick Bangs; Wm. E. Knox, Comptroller of the Bowery Savings Bank, New York; Arthur B. Chapin, vice-president of the American Trust Co., Boston, and O. Howard Wolfe, secretary of the Clearing-House Section of the American Bankers Association. The several State associations held their separate meetings for the election of officers and the transaction of other business. The programme of entertainment was extensive and delightful.

—The recent announcement of Raymond B. Cox's election as vice-president of the Webster and Atlas National Bank of Boston is particularly interesting to members of the American Institute of Banking, as Mr. Cox is known throughout the country distinctly as an Institute man. He was originally a member of Baltimore Chapter; has been a member of its board of gov-

RAYMOND B. COX
VICE-PRESIDENT WEBSTER AND ATLAS NATIONAL BANK, BOSTON, MASS.

ernors; was president of the chapter; and in 1911, at the Rochester convention, was elected president of the national organization. He first became prominent in the Institute through his ability as a debater. He represented Baltimore Chapter in various debates with Eastern chapters, and at the Detroit convention in 1907 represented the Eastern chapters in the debate against Chicago, and was the victor by the unanimous decision of the judges.

Mr. Cox began his banking experience with the Manufacturers National Bank of Baltimore, which later was merged with the First National. He occupied various positions in this institution, and in 1911 was elected auditor. Later he was called to New York as transit manager of the Fourth National Bank, and at the time of its recent consolidation with the Mechanics and Metals National Bank was assistant cashier.

Mr. Cox is known in the Institute as a student of banking and financial subjects, and is an acknowledged authority on transit matters.

—Representatives of a number of Maine banks met at Portland June 12 and organized the Maine National Bankers Association. Charles S. Hichborn of Augusta was elected president; S. C. Parcher of Saco, first vice-president; S. A. Forsaith of Brunswick, second vice-president, and E. S. Kennard of Rumford, secretary and treasurer. The purposes of the organization are to promote the general welfare of the banks, to secure uniformity of action, and especially to consider the usages and laws which affect the banking interests of Maine.

SOUTHERN STATES

—Since beginning business something over a year ago, the Peoples Bank of Miami, Florida, has increased its capital from the original $50,000 to $150,000 at the present time. This bank is planning a five-story steel and concrete building.

—J. C. McDonald, publicity man of the City National Bank and of the Chamber of Commerce, has compiled a lot of interesting "Alphabetical Information About Sulphur Springs, Texas." It certainly makes an interesting and forceful presentation of the many attractions and advantages of that growing place and of the productiveness of the surrounding territory. Here is an evidence of the fact that the basis of the town's prosperity is substantial:

The Chamber of Commerce estimate of

the crop of Hopkins county for 1913 is as follows:

Cotton and grain	$6,000,000
Hay and other feed crops	3,500,000
Live stock and products	1,500,000
Fruit and truck	1,000,000
Manufactured products	800,000
Total	$12,800,000

NEW BUILDING IN COURSE OF CONSTRUCTION FOR THE NATIONAL BANK OF WEST VIRGINIA, AT WHEELING

—Mention was made in last month's MAGAZINE of the new building which the National Bank of West Virginia, Wheeling, now has under construction. As will be seen from the above illustration, it promises to be a substantial and imposing structure.

The building will be fireproof throughout, the seven upper stories being devoted entirely to modernly equipped offices. The first floor will house the bank proper, while the second floor will be connected to a mezzanine floor and will be equipped with offices and meeting rooms for the bank's officers and directors.

—The West Virginia Bankers Association closed its twenty-first annual convention at Martinsburg with a banquet at the Hotel Berkley, and elected these officers:

President, Harry W. Chadduck, cashier Grafton Banking and Trust Company; vice-president, R. E. Talbott, cashier Citizens National Bank of Philippi; secretary-treasurer, J. S. Hill, cashier National Bank of Charleston; vice-president of the American Bankers Association for West Virginia, J. S. Emmet, president Old National Bank of Martinsburg; member of the executive council of the American Bankers Association, Edward Nelley, of Parkersburg; to serve on general nominating committee of the American Bankers Association, R. Lee Boyd, assistant cashier National Exchange Bank, Wheeling.

—The Commercial Trust Co. has been chartered at Atlanta, Ga., with $100,000 capital.

—The annual convention of the South Carolina Bankers Association concluded its session at the Isle of Palms on the evening of June 25: Just prior to adjurnment these officers were chosen: President, C. J. Shannon, Jr., Camden; vice-president, J. W. Simpson, Spartanburg; secretary and treasurer, Lee G. Holleman, Anderson; attorney, B. Hart Moss, Orangeburg; executive council from the congressional dis-

tricts, First, W. King McDowell, Charleston; Second, W. E. Prothro, Williston; Third, W. T. Bailey, Greenwood; Fourth, T. C. Rogers, Spartanburg; Fifth, J. P. Stevens, Kershaw; Sixth, H. W. Frazer, Georgetown; Seventh, R. F. Bryant, Orangeburg.

—It is announced that control of the Commercial National Bank of New Orleans has been acquired by the Commercial Germania Trust and Savings Bank, the two institutions to be operated separately. John H. Fulton, heretofore president of the Commercial National Bank, has been elected president of the Commercial Germania Trust Co.

—A merger of the Deposit Bank of Paris, Ky., with the Peoples Bank, under the title of the Deposit and Peoples Bank, has been effected with $150,000 capital and $80,000 surplus.

—An illustration of the remodeled banking rooms of the German Bank, Wheeling, West Virginia, presented in the Wheeling "Register," shows that this institution now has banking quarters of exceptional spaciousness and beauty.

—As the place for holding the next annual convention of the American Bankers Association, Richmond is now the center of interest to the bankers of the country. The following condensed statement, prepared by W. P. Shelton, assistant cashier of the First National Bank of Richmond, shows the condition of the bank's of that city on June 30:

ASSETS

	Loans and Investments.	Cash and C. H. Exchange.	Total Due from Banks.	Miscellaneous.	Total Assets.
First National	$14,932,515 65	$1,906,678 98	$2,333,003 96	....	$19,122,796 64
Planters' National	6,700,833 30	718,296 63	1,336,363 53	....	8,664,491 46
Central National	1,081,331 30	108,179 23	80,575 87	....	1,227,076 30
National State and City	5,944,530 75	707,534 00	1,151,970 42	....	7,804,034 17
Merchants' National	6,128,796 42	967,373 50	1,966,308 96	....	9,072,373 87
Broadway National	609,005 87	41,815 23	43,695 52	....	694,516 62
American National	7,695,306 23	699,400 02	948,900 54	....	9,343,613 78
Manchester National	554,033 14	45,318 25	55,561 19	....	659,812 58
Broad Street	1,671,806 96	60,830 12	162,919 83	....	1,934,555 31
Bank of Commerce and Trusts	1,531,344 96	23,894 13	83,242.01	....	1,638,481 00
Union	1,912,403 30	7,123 87	76,000 90	....	1,995,527 07
Mechanics' and Merchants'	900,369 97	45,904 19	41,014 22	....	987,288 38
Church Hill Bank	542,591 07	19,156 78	35,861 30	....	597,000 15
West End Bank	199,482 76	8,216 36	8,608 42	....	216,303 54
Savings	1,705,547 27	12,179 56	20,764 50	....	1,738,491 43
Richmond Bank and Trust	1,002,091 06	31,155 23	71,170 18	....	1,104,416 87
Virginia Trust	2,581,795 78	14,200 56	269,100 30	$412,500 00	3,278,605 64
Richmond Trust and Savings	1,424,486 42	5,136 12	171,764 42	8,000 44	1,609,387 40
Old Dominion Trust	2,917,804 39	14,200 96	316,355 65	126,000 00	3,373,351 02
Total	$59,906,763 30	$5,406,790 85	$9,112,879 25	$546,500 44	$75,063,723 98

LIABILITIES

	Capital.	Surplus, Profits and Reserved.	Circulation.	Total Deposits.	Bond Account.	Bills Payable, Rediscounts.	Liabilities.
First National	$2,000,000 00	$1,300,691 24	$1,740,600 00	$13,173,107 40	$ 900,400 00	....	$19,122,796 64
Planters' National	300,000 00	1,515,614 19	300,000 00	6,150,877 27	98,000 00	$ 300,000 00	8,664,491 46
Central National	200,000 00	60,423 44	48,000 00	843,052 86	....	125,000 00	1,227,876 30
Nat. State and City	1,000,000 00	807,655 14	234,100 00	5,102,279 03	10,000 00	650,000 00	7,804,034 17
Merchants' National	200,000 00	1,332,906 48	187,800 00	7,351,667 39	....	....	9,072,373 87
Broadway National	200,000 00	28,320 39	97,500 00	289,696 23	....	81,000 00	694,516 62
American National	1,000,000 00	772,170 56	974,700 00	5,656,143 22	630,000 00	300,000 00	9,343,613 78
Manchester National	150,000 00	23,355 74	100,000 00	333,456 84	85,000 00	44,000 00	639,812 58
Broad Street	200,000 00	141,860 21	....	1,592,695 10	....	....	1,934,555 31
*Bank of Commerce and Trusts	250,000 00	163,348 12	....	1,222,836 35	....	....	1,638,481 00
Union	218,750 00	541,434 63	....	1,234,342 44	....	....	1,995,527 07
Mechanics' and Merchants	100,000 00	124,303 67	....	742,965 71	....	20,000 00	987,288 38
Church Hill Bank	150,000 00	20,300 32	....	418,200 83	....	....	597,000 15
West End Bank	25,000 00	19,578 15	....	171,724 39	....	....	216,303 54
Savings	300,000 00	268,318 59	....	1,270,173 84	....	....	1,738,491 43
Richmond Bank and Trust	477,400 00	63,653 14	....	563,363 42	....	....	1,104,416 87
*Virginia Trust	1,000,000 00	270,568 44	....	1,388,537 20	6,000 00	....	3,278,605 64
Richmond Trust and Savings	1,000,000 00	78,943 33	....	530,444 08	....	....	1,609,387 40
Old Dominion Trust	1,000,000 00	1,123,740 62	....	1,249,611 00	....	....	3,373,351 62
Total	$9,822,150 00	$8,574,008 79	$3,683,300 00	$49,286,280 61	$1,761,500 00	$1,520,000 00	$75,063,723 98

*Miscellaneous.—Bank of Commerce and Trusts, $1,896.53; Virginia Trust, $412,500.00; total, $414,396.53.

WESTERN STATES

Chicago

—"Old Monroe Street" is the title of a handsomely-printed and illustrated book compiled by Edwin F. Mack and published by the Central Trust Company of Illinois, giving some interesting historical notes on the Monroe street of early Chicago days. Perhaps one of the most striking illustrations in the book to those familiar with the appearance of the Chicago financial district of today is that of the frame houses which prior to the great fire of 1871 occupied the site on which now stands the splendid building of the Central Trust Company of Illinois.

—Announcement is made by the National City Bank that Miss Jessamine G. Hoagland has been appointed publicity manager of the savings department of the bank. Miss Hoagland was formerly manager of the women's department of the Continental and Commercial National Bank.

—At the close of business June 30 the combined deposits of the First National Bank and the First Trust and Savings Bank were $178,472,233.90.

—Such abuses have developed under "private banking" here that a movement was inaugurated a short time ago to regulate the business by a municipal ordinance in the absence of satisfactory State legislation.

St. Louis

—Harry F. Knight, a member of the firm of A. G. Edwards & Sons and a director of the Third National Bank, was recently elected president of the Bankers Trust Company of this city.

—John W. Gibson, heretofore sales manager of the real estate department of the Mercantile Trust Company, has been promoted to the position of real estate officer of that company.

—James Campbell, a director of the Mercantile Trust Company of this city, died recently, and his will is said to dispose of the largest sum of any will ever probated in the St. Louis courts. The value of the estate is estimated at from $35,000,000 to $60,000,000. Ultimately it will all go to St. Louis University for the endowment of a medical school and hospital. The Mercantile Trust Company is named as executor and trustee to carry on the provisions of the will.

—The Union National Bank, Cleveland, Ohio, observed its thirtieth anniversary on June 10.

—F. E. Weyerhaeuser, son of the late Frederick Weyerhaeuser, has been elected vice-president of the Merchants National Bank of St. Paul. R. M. Weyerhaeuser, another son, has been elected a director of the bank.

—Information close to first-hand is furnished by the "Northwestern National Bank Review," Minneapolis, regarding the crop prospects in the Northwest. It says:

"The elements have been unusually kind this year, especially so in the distribution of moisture. Spring floods have been less serious in the great river valleys and the fields generally have received frequent and generous soakings. From the stock-raising portions of the Northwest come reports of assured pasturage and stock in good condition, and from the wheat fields comes the story of the largest crop in prospect this country has ever known. Corn is perhaps not so far along as in some years, due to the lateness of the spring and the not too liberal amount of hot weather. It is, however, in excellent condition and promises well. The campaign for diversified farming and increase of stock raising in the one-crop districts continues to advance and this year farm operations show a decided tendency toward that diversity of product which will render the wealth of our fields more stable and preserve their fertility for our posterity.

—The Peoples National Bank of Rock Island, Ill., chartered in 1874, rechartered in 1894, has just renewed its charter again, and celebrated its fortieth anniversary by a general invitation to friends to come in and get better acquainted with the management.

THE FIRST NATIONAL BANK
THE FIRST TRUST AND SAVINGS COMPANY
CLEVELAND

—By putting in a new and handsome front, rebuilding the rear wall, redecorating the interior, and making other important improvements, the Union Savings Bank, Toledo, Ohio, has brought its building up to modern requirements.

—The above map is reproduced from the front page of a very attractive, and—on account of the map—serviceable statement, folder of the First National Bank and First Trust and Savings Company of Cleveland, Ohio, showing conditions of these respective banks June 30th. The second page of this folder contains the statement and officers of the First National Bank; the third, the directors of the First National Bank and First Trust and Savings Company; page four, the statement and officers of the First Trust and Savings Company.

The original map is printed in colors, and is seven by nine inches.

—Closing the annual convention at Aberdeen June 25, the South Dakota Bankers Association elected as president S. T. Kiddoo, cashier Sioux Falls National Bank; vice-president, N. E. Franklin, president First National Bank, Deadwood; secretary, J. E. Platt, president Security Bank, Platt.

Next year's convention will be held at Deadwood.

—Discussing the Federal Reserve Act at the recent convention of the Minnesota Bankers Association, E. D. Hulbert, vice-president of the Merchants Loan and Trust Company, Chicago, said:

"There is no other country in the world where bank credit is so freely extended or is accessible to so many people, big and little, as it is in this. No man in business, no matter how small, is refused bank credit provided he can show that he intends to make legitimate use of it and can show that he has a reasonable margin in his assets. This is a question, however, which must be decided by the banker himself, and I can conceive of no possible appeal from a banker's decision on a question of credit, except to another banker. No doubt there have been unfortunate cases where men have been refused credit who were entitled to it, just as there have been unfortunate cases where men have been granted credit who were not entitled to it. We are all mortal. But if we could look into such cases we would find as a rule that the man who was refused credit when he should have had it did not know how to present his case properly.

"In the discussion of the bill before the committee of both the House and Senate the idea constantly cropped out that it was expected that this currency act would forcibly lower interest rates in this country. The idea seemed to be that the Federal reserve banks under pressure, if necessary, from the Federal reserve board would make the official discount rate below the current bank rates, on the theory that this would have a tendency to depress the bank rates. It was a common expression among both senators and congressmen that through the open market operation provided for in the bill the official discount rate could be enforced. That is, if the banks attempted to maintain a higher rate it was thought that the Federal reserve banks could deal directly with the borrowers and thus force rates down to the official level.

"This touches what is probably the most dangerous feature of the law. I do not believe a more dangerous thing could be done than to attempt to forcibly depress interest rates, or to forcibly control the granting or withholding of credit. It is a very dangerous thing, anyway, to have a machine for the unlimited manufacture of currency and credit. We are told that banks should use the discount privileges of the Federal reserve system freely, but that they must avoid inflation. This is a good deal like advising people to drink whiskey freely but to avoid getting drunk.

"The banks of Germany and France rediscount more freely with the Government institutions than the English banks do, but

in France and Germany, as well as in England, the official minimum rate is always higher than the prevailing discount rate among the banks, so that there can be little or no profit to the banks in rediscounting. What little rediscounting they do is of paper having but a few days to run. It is universally recognized in every country that has a central bank as being indispensable that the official rate must always be higher than the current bank rate.

"If it were possible for banks to borrow money of the Federal reserve banks and reloan it at a profit, there is no way under Heaven of preventing them from doing it.

"There would at once be an endless chain of credit established which would lead to inevitable disaster. There is only one way possible to prevent inflation under this system, and that is to make it unprofitable. The discount rates of the reserve banks must be kept high enough to discourage rediscounting. If the Federal reserve bank ever has any proper occasion to exercise its veto power over the rates fixed by the Federal reserve banks it will be to make the rates higher, not to force them to a lower level. I can see no reason why in normal times member banks should rediscount at all with the Federal reserve banks, and I can see no reason why for some years to come there should be much issue of the new Federal reserve notes. You cannot take ninety-day commercial paper and convert it into circulating notes payable on demand without producing inflation. That in itself is inflation. I am not arguing that all inflation is dangerous, or even undesirable, but I am arguing that to grant free discount privileges at lower than the prevailing rates in a time of universal prosperity and optimism, or even under normal conditions, would be very dangerous indeed. It is no answer to say that the Federal reserve notes will be as good as gold. That is admitted. The danger lies not in the inflation of currency; we need not worry about inflation of currency so long as it is kept good, but what we do need to worry about is inflation of credit made possible by the issue of this currency.

"The evil effects of inflation of credit have nothing to do with the condition of our currency. Every banker here knows that more people fail by getting too much credit than from any other cause. There is no demand anywhere from legitimate business interests for any more credit than they have been getting in normal times. All that they have demanded is that the credit which they get in normal times shall not be withheld or disastrously curtailed every time we have a financial crisis. There are periods of so-called "boom" times when contraction of credit is just as necessary as expansion is necessary at a time of crisis.

"The important thing is not that member banks shall use their rediscount privileges, but that the paper they take in the ordinary course of business shall be eligible for rediscount. The knowledge of this will be about all that is necessary to make rediscount unnecessary."

PACIFIC STATES

—An increase to $300,000 has been made in the capital of the Title and Trust Company, Portland, Ore. J. C. Ainsworth, president of the United States National Bank, Portland, and Franklin T. Griffith are new directors.

—Under the terms of the consolidation of the Traders National Bank with the Spokane and Eastern Trust Company, Spokane, Washington, the officers of the latter will be: Chairman of the board, J. P. M. Richards, president Spokane and Eastern Trust Company; president, Aaron Kuhn, chairman board of directors Traders' National Bank; vice-president and secretary, R. Lewis Rutter, vice-president and general manager Spokane and Eastern Trust Company. The board of directors will be made

up of the existing board of the two institutions and will number thirty members.

The capital of the Spokane and Eastern Trust Company will be $1,200,000, and deposits about $15,000,000.

—For the Marine Commercial and Savings Bank, Long Beach, Cal., a three-story bank and office building is being built.

—In its "Financial Letter" of June 25 the American National Bank of San Francisco has this to say of California products:

"Barley is now being harvested in California, and the yield is expected to be more than 1,000,000 tons—double the yield of last year—and worth from $16,000,000 to $18,000,000 to the grower. Other grains of lesser importance are turning out well, and the hay crop is of record-breaking size. Stimulus is certain to be given to dairying and to the production of stock, with profit to farmers and benefit to consumers of food. The fruit harvest, so far as it has developed, is meeting earlier expectations, and shipments will be large. Fresh deciduous fruits to the total of 1026½ carloads already have gone from the Sacramento Valley across the Sierras to Eastern markets, as compared with 477 carloads at the same date last year. In the Southern districts the navel-orange shipping season is drawing near to its close, and packing houses are working on Valencias, which are of good quality and bringing fair prices. Total shipments of citrus fruits from Nov. 1 to June 15 were 38,503 cars, as compared with 15,100 cars for the same period a year ago.

"Reports from the oil fields indicate that California will attain a total production of more than one hundred million barrels this year. According to the state mineralogist, the mineral production of the state for 1914 will reach a total value of $100,000,000, of which petroleum will furnish about $50,000,000 and gold $20,000,000."

—Capital of the Pasadena (Cal.) Trust and Savings Bank has been raised from $100,000 to $200,000, eighty per cent. of the increase being provided for by a stock dividend.

—J. O. Downing and L. Cleveland, of Los Angeles, are reported interested in a new bank at Blythe, Cal.

—The Federal Bank of Los Angeles has been consolidated with the Hibernian Savings Bank under the name of the latter, the Federal Bank to be used as a branch. W. D. Woolwine, president of the Federal Bank, E. A. Taylor and A. E. Huntington will serve on the directorate of the larger Hibernian Savings Bank. The capitalization of the Hibernian Bank is $250,000. The deposits of the bank are about $2,250,000, while the deposits of the Federal Bank are almost $600,000.

—Some striking facts regarding the really phenomenal growth of the Pacific Northwest are published in the Seattle National Bank's "Trade and Crop Bulletin" for June. Here are a few extracts:

"The Pacific Northwest has, in the last generation, seen its timber grow in value from nothing to enormous totals, its farm products, fish, fruit and grain yields, likewise, and its population tenfold.

Value of Montana's crops in 1899 was	$10,692,000
Value of Montana's crops in 1909 was	29,700,000
Value of Idaho's crops in 1899 was..	9,267,000
Value of Idaho's crops in 1909 was..	34,357,000
Value of Oregon's crops in 1899 was	21,806,000
Value of Oregon's crops in 1909 was	49,040,000
The value of farm property in the State of Washington in 1880 was	$20,770,000
The value of farm property in the State of Washington in 1910 is..	637,543,000
Lumber production of the State of Washington in 1900 was..	1,428,205,000 ft.
Lumber production of the State of Washington in 1912 was..	4,099,775,000 ft.

—On July 1 the German American Trust and Savings Bank, Los Angeles, reported $19,913,715.10 deposits. The bank's capital is $1,000,000, surplus $900,000, and undivided profits, $313,638.72.

CANADIAN NOTES

—For the half-year ended May 30 the Northern Crown Bank (head office, Winnipeg) reports net profits $107,905.31, added to $92,276.20 at the credit of profit and loss November 29, 1913—a total of $200,181.51.

The net earnings represent the remainder after deducting expenses of management, and making necessary provision for interest due depositors and for bad and doubtful debts. A dividend of six per cent. was declared, payable June 1, calling for $84,874.62, leaving $115,306.89 to be carried forward to the credit of next account.

—Speaking recently of the Canadian banking situation to a correspondent of the New York "Journal of Commerce," General Manager E. C. Pratt of Molsons Bank, said that the bank statement on the whole shows a thoroughly healthful state of affairs. The business outlook, based upon excellent crop prospects, was also declared to be good.

FEDERAL RESERVE BOARD

THE

BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SIXTY-EIGHTH YEAR SEPTEMBER 1914 VOLUME LXXXIX, NO. 3

At the time this is written a mighty conflict is going on between Germany and Austria on one side and Russia, France, Great Britain and Belgium on the other, with a possibility that other nations may be involved. This stupendous struggle immediately inflicted widespread disaster upon commerce, credit and banking. In the task of mitigating this disaster, in so far as it may be mitigable, the Government, the banks and the people in all walks of life are working in harmony and with praiseworthy determination. With full faith in the soundness of American institutions, we believe that this coöperation, in which none have more loyally joined than the bankers, will safeguard the interests of our beloved land. The banks are sound and the bankers patriotic. They will continue to give absolute support to the Government and to every form of legitimate business; and thus standing together—Government, banks and people—we shall pull through, if not unharmed, unconquered and undismayed.

The Situation

FEW months in the recent history of the world have been more heavily laden with momentous happenings than those which characterized the closing days of July and the opening of August.

In a monthly MAGAZINE these events can scarcely be reviewed, so rapidly does the situation change. For example, last month the statement was made in these pages—in commenting on the exportation of gold—"there is no warrant for believing that when the figures are cast up at the end of the year they will show an unprecedented amount of net exports, or that the net movement will have been such as to excite concern, much less alarm."

Hardly was the ink dry upon this statement before gold began to flow out in an enormous if not absolutely unprecedented vol-

ume, and the conservation of the country's gold stock became a matter of the gravest concern.

It was the dramatic culmination of affairs in Europe that gave this sudden wrench to our finances—an event that could hardly have been foreseen by one not gifted with clairvoyant powers.

Had conditions remained normal, the prediction made in these pages about gold exports would no doubt have been fulfilled, inasmuch as we were then already at the beginning of the season of agricultural exporting which ordinarily turns the foreign exchanges in our favor.

But, as usual, it is the unexpected that has happened.

OUT of this dark period what losses may accrue, who shall tell? And our own land, though suffering least of all, shall not be exempt, as has been seen already. The happenings in the financial world have been minutely recorded in the daily press, and need not be reiterated here. Government, banks and people—all have coöperated to stay the wave of distrust. The fury of the storm caught us with sails already shortened, which greatly lessened the possibility of complete disaster.

Perhaps one phase of this situation may carry a lesson for those who have seemed bent upon creating a gulf between the banks and the people. They may see now that there is an absolute interdependence between the people and the banks, and that the latter are ready in time of peril to do their utmost to abate distress. Possibly, also, it may be seen even that "big business" really constitutes an important element of national prosperity.

BAD as were the influences set in motion by the breaking of the war cloud which has long darkened the Continent of Europe, there have been some bright spots in our financial skies.

If the uncertainty due to the Mexican situation has not been cleared up, the tension in that quarter has been at least partially relieved.

Our crop of wheat is enormous and the outlook for most of the crops is well above the average.

Even the falling off of our European trade—deplorable as it is —may not lack some slight compensation. Our commerce, shut off from flowing in its customary channels, may seek and find fresh outlets in the Orient and in Latin America.

It is exceedingly difficult, however, to extract any comfort from

such a situation. We have seen the vast evil consequences of the threat of war and its actual inception. The long continuance of a conflict like that going on when these words are written must bring woes whose depth and extent the human mind cannot measure.

THE TREASURY AND THE CROPS

ONCE more the Treasury has announced its readiness to advance $34,000,000, or so much thereof as may be required, to assist in the crop movement. Happily, from all accounts the crops to be moved promise an almost unprecedented abundance. The terms on which the Treasury will supply funds for the purpose indicated are the same as those laid down last year, and therefore call for no fresh comment except possibly as to the effect upon the new banking system. Should the Government experience difficulty in promptly getting back the funds advanced for crop-moving purposes, the amount of public money which it was expected would be deposited with the Federal Reserve Banks would be somewhat curtailed. However, once the Reserve Banks get in operation, the rediscount feature will be available to member banks, and they should find no difficulty in returning the sums advanced by the Treasury.

THE RAILWAY RATE DECISION

ANNOUNCEMENT of the decision of the Interstate Commerce Commission made last month in regard to the application for an advance in railway rates removes an uncertainty that for a long time has clouded the business situation. The decision is not wholly satisfactory to the railroads, inasmuch as the increase granted applies only to a part of the territory where the advance was sought, the Interstate Commerce Commission taking the view that the general increase was not justified.

The importance of the decision perhaps does not lie so much in the actual gain in revenues to the roads affected as in the recognition of their claim that earnings were not sufficient to enable them to procure the fresh capital they must have in order to make the necessary betterments of their properties. This being conceded, it follows that when the roads in any territory make such a con-

tention, they can, by establishing their claim, obtain the needed relief.

This is encouraging as far as it goes. But under such a system the railways may be subject to long and vexatious delays before they can make advances in rates to meet sudden and unlooked-for necessities. The average business establishment may raise the prices of what it has to sell under similar conditions. But the railways cannot do so. Of course, in view of the public obligations resting upon the railroads, the cases are not parallel.

It would be taking a pessimistic view of the recent rate decision to say that it does not materially better the railway situation. On the other hand, the roads not helped must regard it as disappointing. They must now look elsewhere for the relief they had hoped to obtain by raising rates.

NATIONAL OPERATION OF THE TELEPHONE IN GREAT BRITAIN

DEBATING the expenditures of the British Postoffice recently, Mr. Goldman, a member of Parliament, made a sharp attack upon the Government's handling of the telephone service. Commenting on an inquiry into the service made by a Parliamentary committee, "The Economist" of London says:

"The Parliamentary Committee's inquiry was neither very extensive nor very convincing. An unofficial committee which sends out invitations for complaints can usually obtain any number on any subject; and the figures and contentions brought against the Postmaster-General appear to be painted with a fairly thick coating of exaggeration. But allowing for these facts, it is undoubtedly true that we are far behind other nations in telephone efficiency, and, at any rate, little or no improvement has taken place under Government control. Possibly the truth lies halfway between the Postoffice boast of signal progress and its accusers' complaints of deterioration. The most reasonable conclusion is that the telephone service is neither much worse nor much better than it was under the National Telephone Company.

"But the most serious ground of attack is financial. Mr. Goldman had a good deal to say on the subject. After asserting that the Postoffice had dissipated the National Telephone Company's profits without giving any better service to the subscribers, Mr. Goldman continued:

" 'What is the result? Not only have the profits of the Nation-

al Telephone Company been largely dissipated, but the subscribers are no better off. (An Hon. Member: "They are worse.") The Treasury is also the loser, for not only have they lost the amount paid previously for the license, but they lose a sum of £36,000 which used to be paid by the National Telephone Company in income-tax and heavy wayleaves. Nevertheless, the company were able to pay six per cent., as against 1.4 per cent., which is the result of the Government monopoly. Let me remind the Committee that, although you are making under one and one-half per cent., the Government are able to borrow their money not at six per cent., like the National Telephone Company had to pay, but three and one-half per cent. Surely there must be something wrong somewhere when you get such a result. In the case of the trunk system, the result is even much more unprofitable. The trunk service shows a loss last year of over £15,000, which I think is unique in the management of the telephone service, in spite of interest being charged on capital only at 2.7 per cent.'

"If Mr. Goldman's facts and figures are correct," says "The Economist," "profits have dwindled away since State purchase without any increase in efficiency. Meanwhile, we are burdened with all the dangers of a State monopoly, with another army of employees to work at elections; and the huge State capital expenditure, which we were told would be most remunerative, is turning out to be a bad investment.

"Let us hope that the disappointing results of this costly experiment will at least save us from railway nationalization. The truth seems to be that no Government undertaking can be economical, because the officials are not paid by results."

Without a circumstantial reply to these assertions, on the part of the Government, it can hardly be determined that they are justified. But the experience of Great Britain in handling the telephone may at least cause our own Government to pause before embarking on so large an undertaking.

A NEW SOURCE OF EXTRAVAGANCE

FOR a long while the automobile has had heaped upon it all the maledictions of those who decry extravagance. But a new competitor has appeared—the motion picture. It is said that into the motion-picture places of exhibition there goes daily in the form of payments for admissions not less than $1,000,000, or $365,000,000 a year, and that over $500,000,000 is invested in the

business. How accurate these figures may be, we do not know. That the sums of money so spent and invested are enormous, no one can doubt.

The automobile is, of course, a bolder offender, taking one's money in large sums outright. The motion picture is a slower, steadier and more insidious assailant of one's purse. As children are large patrons of the motion picture entertainments, they are being led away from habits of thrift at a time when such habits should be forming. It is a phase of our times of which the humorist and satirist should not lose sight, that this peculiar form of extravagance is itself to be turned into a preaching place for thrift, and we shall all soon be spending our money at the box-office to be shown a motion picture story exhibiting the virtues of thrift!

IMPORTANT WORK FOR THE BANKERS ASSOCIATIONS

IT has become the pastime of politicians to rail at wealth, and the banks—particularly the big banks—have not escaped, since they are themselves the custodians of large amounts of wealth in the form of cash and various kinds of titles to things valuable.

The banks cannot justly be charged with responsibility for this public onslaught upon capital, for they have in their relations with the public dealt justly and honorably with business interests of every kind. Indeed, as has been said repeatedly, the people of any community, as individuals, almost invariably respect the banker, looking upon him and his institution in the light of a friend.

Yet, in legislative halls, the banker is looked on too often with suspicion and not unfrequently is made the subject of attack.

Shall we quote a few recent expressions from bankers to sustain this view?

Speaking before the last annual convention of the bankers of California, Mr. James K. Lynch, vice-president of the First National Bank of San Francisco, in a notable address entitled "Where the Banker Fails," said:

"During the protracted discussion on the subject of the Federal Reserve Act it was considered axiomatic that the advice of a banker could not be taken on financial matters, for if given the opportunity the bankers would procure legislation for their own selfish ends—which must, of necessity, be bad for the community. The idea that both interests are identical, and the conception that needed legislation is merely permission to use effective tools for the

performance of a great economic function, never reached the statesman at Washington."

Mr. Lynch did not hesitate to speak plainly, and even went so far as to tell the bankers that they were both cowardly and ignorant.

In an address before the National Association of Credit Men, at Rochester, N. Y., Mr. Elliott C. McDougal, president of the Bank of Buffalo, recited the methods employed in passing the Federal Reserve Act. In practically ignoring the suggestion of bankers, Congress had, he thought, acted very much like a body of bankers who might rush into the operating room of a hospital, calmly turn out the surgeons in charge and proceed to operate upon the patients according to their own ideas.

And Mr. Montgomery Evans, speaking as president of the Pennsylvania Bankers Association at the recent annual convention, and referring to the attitude of the members of the Pennsylvania Legislature toward the bankers, said:

"They despise the banking fraternity; and perhaps we merit it, because they misconceive the bankers."

An important statement on the same subject was made in a recent address by Mr. Arthur Reynolds, president of the American Bankers Association, and president of the Des Moines National Bank. Mr. Reynolds said:

"The banking interests of the country are continually and unfairly attacked by the proponents and advocates of our recent forms of theoretical and scholastic legislation relative to business. They have been prejudiced in the public mind and unjustly prejudged.

"It is the duty of the bankers to combat this prejudice and mold correct public opinion regarding the true relations of the banks to the business public.

"In the relation of the conservative business men to the banks, no such feeling exists. There are others, however, who by the appeals of the apostles of calamity have acquired an antagonism to banks generally, and it should be the duty of the banks to so administer their relations to that portion of the public not bound to them by ties of mutual interest, as to dispel that animosity and distrust.

"This means an active participation by every banker in a campaign of education; and that means you, my brother banker. Such methods have corrected public opinion upon other questions and can do so in this instance, but not if you fail to do your part. We cannot afford to let the imputations that have been laid upon bankers and the banking business to go unchallenged. We cannot

permit the politicians to thus unfairly use the banker as a buffer to accomplish his own selfish purposes and thereby discredit a business which has for generations occupied a prominent position in the respect and confidence of the public."

Hon. Frank A. Vanderlip, president of the National City Bank of New York, has said recently in a public address:

"To-day business is practically unrepresented in Congress. Wealth, even success, is felt so to militate against a man in public life as practically to exclude him from preferment. While I would urge business men more and more to recognize the rights of others, I would urge them quite as strongly to justly appreciate their own rights and to see that others recognize them."

Examples of this character might be multiplied, but the quotations made from these responsible sources clearly establish the fact that the banker's opinion carries much less weight than it ought to in legislative matters relating directly to the business of banking.

It seems to us that it is peculiarly the task of the American Bankers Association, aided by the numerous State associations, to labor diligently in bringing about a better understanding between bankers and legislators.

Bank Says Things About Uncle Sam

IT has long been the fashion for legislators and Government officials to denounce and regulate business in the supposed interest of public morals. Now here comes the American National Bank of San Francisco and gets back at Uncle Samuel in this vigorous shape:

"While not denying that it is the proper function of Government to prescribe methods of conducting business, it occurs to the average, everyday, taxpaying citizen that the efforts of the Government along this line would be more convincing if it had shown a little more competence in running its own business. Almost simultaneously with the discovery, proclaimed hysterically and adjectively by the Interstate Commerce Commission, that the New Haven millions had been frittered away by the interlocked and interlocking directors of that unfortunate railroad, there was published a declaration by Senator Burton of Ohio, that seventeen millions of dollars, more or less, have been wasted by our interlocking Congressmen on so-called river and harbor improvements along the Mississippi river. And about the same time the House passed a 'pork bar'l' appropriation bill calling for the expenditure of some forty-four millions of the people's money, without any fuss or protest from any source. Both the New Haven money and the pork bar'l money come from the public pocket—but it seems to make a great difference who squanders it."

What Bankers Are Saying

Well-matured views of bankers and other financial men are tersely expressed in the sub-joined extracts, taken from addresses at bankers' conventions and from other sources.

BANKERS SHOULD INSIST ON THEIR RIGHTS

Elliot C. McDougal, President Bank of Buffalo, Buffalo, N. Y.

EVERY business man is interested in banking laws. Unwise banking laws will damage the business man much more than the banker.

Our legislators have gone crazy on theory. We have resigned ourselves to the conviction that there is nothing for us to do but to submit to any laws which they may see fit to pass. What we need is, in legislators, plain common sense, in ourselves, spirit to insist on our rights.

CHARACTER OF THE BORROWER ALWAYS IMPORTANT

Edgar H. Sensenich, Cashier Northwestern National Bank, Portland, Oregon.

REGARDLESS of contrary opinion, no form of bankable paper can be created that does not involve a credit risk, no matter whether it be two or more named paper, whether it be secured by warehouse receipts for grain or other staple commodities or whether it be secured by bills of lading for goods actually in transit. Some of the grossest frauds, and of the most serious dimensions, have been perpetrated through the flotation of paper which, as to form, would meet the approval of the most critical student of credit. In the consideration of any note, whether unsecured or otherwise, the character, ability and financial responsibility of the parties to the paper cannot be disregarded with safety nor can trade and business conditions be overlooked without danger. These factors are constantly changing, and success in the purchase of commercial paper means everlasting diligence and eternal vigilance.

THE NEW ORDER

By Montgomery Evans, President Norristown (Pa.) Trust Company.

THERE has been a universal cry for change. Whatever is, is wrong. Whatever is new must be better. The wisdom and experience of past ages must be discarded because in conflict with the new theories of present day sociologists. Even the old religion must be discarded and so-called humanitarianism take its place. The acquisition and ownership of property are an evil. The Ten Commandments are out of date. The new preaching is; Thou shalt not labor six days of the week; thou shalt not honor thy parents; thou mayst kill to accomplish thy purpose; thou mayst steal from him who hath too much; thou mayst bear false witness; thou shalt covet thy neighbor's property.

The State must be the indulgent mother of all her children, coddling them in their weaknesses, gratifying them in their cravings. Thrift and self-denial are tabooed. The teaching of the parable is reversed. From the faithful servant is to be taken that which he hath and given to the slothful servant who hath not. The criminal is to be pitied, but not punished. He may be elected mayor of a city or Governor of a State upon the recom-

mendation of having been a convict. Equal opportunity to all is to be the rule. This sounds attractive, but we find that those who shout loudest this new shibboleth mean by all, either the membership of their own society, of their own calling, or of their own race. If the color of a man be black, or yellow, or brown, he is not covered by the platform and is excluded from its blessings. In other words, it is a new guise of selfishness and not to be compared with the old-fashioned Golden Rule. What they really are after is not equal opportunity, but equal results, no matter what may be a man's talents, or his exertion, or his sacrifice. All men are not equally capable no more than are all women equally beautiful.

The gist of the new preaching is that the chief aim in life is play. They rebel against the ancient doctrine that work is not only a duty, but also a benefit to mankind. In school and college, in these days, the youth who plays best is highest honored and the youth who works best is most despised. The standards and interests prevailing in school and college go with the youth out into the life of the world. Labor is looked upon as irksome and to be escaped, if possible. In former times thrift went hand in hand with labor and was recognized as a virtue. To-day thrift is anathema with a large percentage of our population. To spend and to waste bring praise.

BANKERS MUST TEACH THRIFT

J. H. Puelicher, Vice-President Marshall & Ilsley Bank, Milwaukee, Wis.

IF work is a condition of life, there should be no idlers. Each should contribute to the economic whole in the ratio of his or her strength and ability. Waste of energy, whether it be human or nature energy, or that which has been created by either or both, is economic waste and therefore thriftlessness. Work to be right must be work for the world's advancement and must not be selfish or destructive of the welfare of others.

The ideal to be sought in all work is the advancement of civilization. If there is an ideal side to the profession of the banker—and I cannot believe that banks would have been permitted to exist were there no useful work for them to do—that ideal must express itself on the part of the banker in the teaching of thrift. It is he who must undertake the task of impressing upon the nation the dangers of a reckless extravagance, and the need of a thrift that will conserve its resources and save intact the energies of its men and women.

MUST KEEP IN TOUCH WITH THE PEOPLE

James K. Lynch, Vice-President First National Bank, San Francisco.

THE banker's appeal must be to Caesar. Back of the statesmen at Washington, behind the newspapers (those impersonal oracles that assume to speak with the authority of Jove), stands the average American, the real imperial power, to whose lightest behest politician and publicist alike give instant heed. The average American is somewhat careless about affairs that do not immediately concern him, and he is slow to realize that at last he pays all the bills and makes good all the mistakes of those to whom he has granted a little brief authority; but he is essentially fair-minded, and when the case is properly presented to him we need not fear his decision.

And the proper presentation of the case is the work of every one of us. It must be presented as a matter of concrete practice rather than one of abstract theory; it must be shown daily in transactions across the bank's counter, or wherever the opportunity may offer. Stated in the simplest terms the proposition is this: The interests of the community and those of the banks are identical.

The Trust Company Paying Teller

By WALTER H. WOODWARD

IN all lines of business efficiency is the watchword. This is a quality more often sought than found, particularly in financial institutions. There are several reasons for this. Those who should be responsible for the proper systematizing of the business are often least qualified because it has taken years for them to reach the position which they hold, and having once reached it, they are occupied with matters of a wholly different character. On the other hand, those who are still in the rank and file have their minds focused on the far distant future and overlook the present and all of their shortcomings. They find it difficult to clamber out of the rut of routine and break the shackles of custom.

The position of paying teller is probably more monotonous though less detailed than any other, and that department is often allowed to grow rusty and neglect the advantages of making itself highly efficient.

To reach the highest state of efficiency in this department two particular features must be considered: First, its equipment; second, its method.

As in the case of all trust company departments the paying teller's duties differ in some degree from the bank teller's. This article deals with the teller's duties in the average city trust company.

THE cage must be large enough comfortably to accommodate those who are to work in it. It must be well lighted. To both the right and left of the window, through which payments are to be made, money drawers should be provided deep enough to hold entire bricks of bills. They should never be less than ten inches in depth and each compartment in these drawers should be somewhat wider than the bills so as to permit of ready handling. This is of no mean consequence, for customers cannot be expected to wait while a teller struggles with refractory drawers.

The cabinet of drawers containing the signatures of the various depositors should be close at hand, as should also the stop-payment cards. Right here, let me suggest that all demands for stop-payment should be made on cards signed by the maker of the check, giving a complete description of the item. These cards can be filed alphabetically as in any ordinary card index system. The card should contain the agreement that "the maker hereby releases this bank from all responsibility, if after the exercise of due diligence and care to prevent payment the above described check is paid." These cards should be securely locked away after business hours.

The general character of the business will determine just what preparations the teller must make in the matter of putting up his cash. If he has a regular demand on certain days for payroll money, he should take pains to have on hand a sufficient number of ready strapped bills of all denominations in packages of various amounts, and he will in this way be fully prepared to meet any demand promptly, and at the same time lessen the chance of committing errors resulting from hurry and confusion.

A very large volume of business can be successfully handled by three men if their method is consistently worked out. As a rule only one man should be allowed to handle the cash except

in cases of emergency. This does not mean that the same man should do it daily, for in his absence the man who takes his place would be greatly handicapped because of his inexperience. All three men should be prepared to perform certain duties and to work in unison with a minimum of time waste.

Most trust companies have a drawing account with at least one large city bank so that they can honor their own checks held by other companies. This does not apply to companies in the clearing-house. All amounts in excess of a hundred or two of dollars should be paid by check and the check used should read "Pay only to a bank or trust company." All checks drawn for any other reason should be drawn from another check book. Usually the bank messengers leave their checks at the various houses on their route and, having made deliveries, call again later to collect. This arrangement gives the teller time properly to examine all checks for endorsement, filling and signature.

The method of paying these claims of various banks is as follows: As soon as a messenger leaves a bundle of checks, the package is set aside and the next one delivered is placed beneath it, and so on. This keeps them all in the same order as they were presented. As soon as convenient the man who is to draw the checks takes the bundles and lists them on an adding machine, proving them with the slip which accompanied them. The second man takes them (in the original order) and examines them for date, filling and endorsement. This should be done by the man second in charge of the cage and he cannot be too well qualified for the work, which is of extreme importance. As each lot of checks is thus examined deductions are made from both machine listings of all checks which are to be returned for any reason. On the list made by the first man a note is made of the reason for refusal. This slip is retained by the teller and notes should be made on it of anything which can be of future help. When this operation is completed the checks are finally turned over to the man at the window—the first teller—for his examination. He passes upon the originality of the signatures. He checks the deductions already made and makes any additional deductions which may be necessary. The checks which are to be paid he drops into a drawer for the present and initials both machine slips and gives them with the returned items to the first man, who now proceeds to draw a check in payment. This man should have a number of stamps covering the names of the various banks. He stamps both machine slips with the proper stamp, draws the check and puts the number of the check and the date on his own machine slip. He then fastens the claimant's slip and the returned items to the check which is now ready for signature and delivery. It is advisable that these checks be signed by the first teller as well as by an officer.

The teller is generally busy in the morning hours waiting upon customers at the window and cashing bank claims under two or three hundred dollars. Those checks which he cashes for banks he examines entirely himself and they are included in his "cash work" and in no way affect the "bank work" or those items paid by check. The work of preparing these checks usually consumes an entire morning and, except in rare instances, all the banks have presented their claims by the noon hour. The "bank work" checks are delivered to the bookkeeping department at various times during the morning. When all bank claims for the day are paid the bookkeepers prove their totals with the footings of the teller's check book. This constitutes a half-day's work, which is already proved and which can cause the teller no further trouble. It only remains for him to prove his "cash work" at the close of business.

All items cashed are listed in a cash-book, which is ruled to accommodate the name of the maker of the check and the amount. When the teller cashes checks for a bank, he pins them

together, writes the total on the back of them and when they are listed in the cash book the total of that particular list is easily proved. Such entries should be made "in short" and the name of the bank which presented them written alongside of the total, as below:

John Jones		$500.75
John Brown		2,500
	25	
	7	
	150	
	2	
First Nat. Bank	——	184
H. Anderson		102.50

All items cashed should be stamped "Cashed" with the date on the back,

THE most satisfactory plan yet found for certifying checks works out in the following fashion:

When a check is presented for certification it is first carefully examined for signature, date, filling, etc., and upon being found satisfactory is next passed to the bookkeeper in charge of that account. If the check is good he makes an entry of it in his own certification book, noting both the name and amount. He initials the check and returns it to the teller, who certifies it and enters it in his certification book, noting the number, name of maker, payee, and the amount. This entry is immediately checked back by one of the assistants. The advantages of this arrangement lie in the fact that when at the close of the day's business the bookkeeper compares his certification book with that of the teller, any discrepancies are immediately detected. It is customary in many banks for the bookkeeper to post his certifications from the teller's record. This means that if the teller is in error the bookkeeper will be in error also.

A record should be made of all transactions between the paying and receiving tellers and the book for that purpose ("exchange book") has the left-hand page reserved for the items given to and the right-hand page for these received from the receiving teller.

In addition to the entries made in the "cash book" of all checks actually cashed, charges against any of the accounts on the books of the general bookkeeper (loans, expense, profit and

	Date
CHARGE	
Loans	....
Ctf. of Deposit	....
Investments	....
Bills Purc'hd	....
Bonds and Mt'ges	....
Profit and Loss	....
Int Acc'd Ctf. Dep.	....
Int Acc'd Deposits	....
Int Acc'd St'ks and Bds.........	....
Int Acc'd	....
Expense	....
	....
CREDIT	
Bank Checks	....
Cert. Checks	....
Cpn's—Loan Checks	....
	....

loss, etc.) are likewise entered and properly marked for identification in the margin. All of such charges come from the receiving teller, except in cases where "cash" has been credited. At the close of the day's business the footings of the "cash book" *less* all charges received from the other teller will equal the cash paid out.

The paying teller's proof is best made out upon statements as shown on preceding page.

Gold and Prices

From the Annual Report of the Director of the Mint

THAT there is a relationship between the supply of gold and the prices of commodities scarcely admits of controversy, but there are so many other factors in price making that great practical difficulty attends upon any effort to identify and estimate the particular effect of the changes that occur from time to time in the output of gold.

The production of gold in the world has been practically stationary for the last five years, and industrial consumption plus the movement to India have taken approximately one-half of the output. The remainder has been sufficient to allow of important annual additions to monetary stocks, and in some countries, notably the United States, it can scarcely be questioned that these additions have been related to a long-continued period of enterprise and credit expansion.

The most persuasive statement of the affirmative theory is that, however many influences may have participated in making the present price level, the level could not have been made as high as it is without the enlarged supply of gold. If the gold supply has anything to do with prices, this proposition can hardly be controverted, and if anyone is disposed to deny the quantitative theory in toto, he should consider what results would ensue from the discovery of a cheap process of artificially producing gold. Will anybody contend that such a discovery would have no effect upon monetary or industrial conditions? On the other hand, the dramatic effect of the phenomenal increase in the production of gold, coincident with the general rise of prices, has fixed attention upon this factor and given it, possibly, an undue importance. Other and very important influences have undoubtedly contributed to the movement.

It is evident that an increasing production of gold has a direct effect in swelling bank reserves. The new gold flows into the banks, not only for safe keeping, but to create balances against which the mine owners may draw to meet operating expenses. Even for the best fields, approximately seventy-five per cent. of the credits so created must be used for this purpose. But, unlike bank credits created by other industrial operations, these credits, accompanied by an equal amount of new gold, enlarge in a much greater degree the ability of the banks to make loans. The entire gold-producing industry of the world may not, as an industry, be more than self-supporting, but when the product in the form of money enters bank reserves it may as the basis of credit create purchasing power to several times its own value.

One way or another the new supplies of credit will force their way into use. They make capital available

for new undertakings and for the enlargement of old ones, and in this era of industrial activity and change there is practically no end of promising opportunities for investment. There are many countries, both old and new, with vast undeveloped resources appealing for capital. Competent authorities have estimated that as much as $8,500,000,000 of foreign capital has been invested in Canada in the last dozen years in constructive work. Probably $800,000,000 has been similarly invested in Brazil in the last ten years. And these are new countries with comparatively small populations. The sums so invested in the United States, of course, have been very much greater than in these two put together.

The entire organization and equipment of the industrial world is constantly undergoing change. The alterations in power equipments alone, resulting from improvements in the steam engine, the development of internal combustion, and the various applications of electricity, call for enormous amounts of capital, or, for what amounts to the same thing, credit accommodations. Modern industrial equipment, like the modern battleship, does not wear out, but is forced out by the pressure of the ever-coming new and superior substitutes. This entire movement is stimulated by increasing bank reserves. There is a familiar tendency in the business world to alternating periods of expansion and contraction, the former running its course until credit is strained, when reaction sets in and is more or less protracted according to the degree in which credit may have been overused. But with constantly increasing bank reserves the periods of expansion are longer maintained and the periods of reaction are sooner overcome.

THE growing importance of stock and produce exchanges and the vast multiplication of corporate securities have been important factors in the expansion of credits, and, therefore, had an effect upon prices. In the last analyses it is effective demand that influences prices, and the demand is usually financed by credit, which in turn must have some relation to the gold reserves. But the great supply of dividend-paying stocks and bonds now in the possession of the public affords a most convenient facility by means of which loans may be obtained. No doubt there is a great deal more borrowing for miscellaneous investments upon the securities of a corporation whose issues are widely distributed than there was upon the credit of the same business before it was incorporated or while the ownership was in few hands. Perhaps it is not too much to say that in times of prosperity, when the spirit of money-making is infectious, it is difficult for the average man to keep good collateral in his own box while many inviting opportunities for investment pass by.

It will naturally be said, however, that if the present rise of prices is due to an extraordinary demand for commodities and labor, to be used in construction and for improved equipment, there should be results in the way of an increased production of commodities at lower costs, and that these results in turn should show in lower prices.

This is a perfectly logical conclusion, and the only answer that can be made is that unless the world has been wasting its savings in unprofitable investments or population has become unduly congested where the cost of living is necessarily high, a reaction in the course of prices should soon appear.

A study of all price tables will show that the level of prices under review has been carried up by the rise in articles of food and raw materials. Manufactures have either not risen at all or have risen by a lower percentage than the raw materials and labor which have entered into them. The greatest rise of all in the last fifteen years in the United States has been in lumber, but it is not necessary to resort to the

gold hypothesis for an explanation in this case. All of the products of timber have been going higher because nearby supplies were being exhausted. And so all of the products of the soil have been going higher because the cheap, easily tilled prairie lands of this country have been occupied, while our population continues to increase. Meats are dearer for the obvious reason that cattle can no longer be pastured free on the public domain; the great ranches and herds have been broken up, and for some years the supply of meat animals in the United States has not been increasing. In all price tables these products of the farms and forests and public lands are very important factors.

For a long time, during the period of land settlement in the United States, when it cost but little to open new farms, the prices of farm products were so low as to afford very small compensation to the producers. The desire to own land, which was expected ultimately to increase in value, was the chief inducement for the opening of new farms, and it was sufficient to keep the price of products down close to the bare labor cost, upon most farms, of producing them. With the cheap and easily tilled lands occupied, there was a slowing down in agricultural expansion. Since then development in agriculture has not kept pace with progress in manufactures or transportation.

SINCE the Baring crisis in 1890, caused by overfree investments in Argentine railways, there has been no extensive railway construction opening up large areas of cheap lands until the Canadian construction began a few years ago. And while there has been an important movement of farmers into the Canadian Northwest the results of the development expenditures have only begun to make themselves felt. It is, however, true that wheat, the principal crop of Canada, is one of the farm staples that has made the smallest advance.*

The expenditures of capital upon the railways of the United States during the last fifteen years have been enormous, but they have been mainly directed to the improvement of the existing lines and not to the opening of new territory, as in the decade from 1881 to 1890. The roads have been straightened, grades have been reduced, additional tracks have been provided, heavier rails have been laid, new and stronger bridges have been built; and along with these betterments upon the roadways have come more powerful and more economical locomotives, and freight cars of much greater capacity. These improvements have called for a vast amount of labor and materials and have had an important influence upon wages and prices. They have undoubtedly been very effective for the purpose for which they were made, to wit, an economy in labor and power in the operation of the lines. Judged by the higher efficiency obtained, these outlays were well worth making, but the rising prices of timber, ties and various supplies, and the higher wages required of the companies by reason of the higher cost to their employees of food and clothing, have apparently more than offset all the gains accomplished by reconstruction and improved equipment.

And the situation of the railways is illustrative of what has occurred throughout the industries. In all lines heavy investments of capital have been made for the purpose of reducing labor costs, and results have been obtained which would have naturally appeared in lower prices if the higher costs of raw materials and of the food and clothing of the operatives had not intervened and overbalanced them. Indeed, it would require nothing less than a revolution in the methods of industry to offset in importance a rise of fifty per cent. in the cost of the food staples and of such common commodities as cotton, hides and lumber.

According to the tables of the United States Bureau of Labor, the

*Written before recent developments had caused a sudden rise in the price of this commodity.

average of prices of farm products during the year 1912 was 171.3 per cent. of the average for the ten years 1880-1899, while the average of all the commodities included in its tables was but 133.6 of the same base. It is evident that the commodities other than farm products increased by a less percentage than 133.6, and it is easy to believe that the rise of 171.3 in farm products, which include not only food but the raw materials of clothing, was the main factor in the rise of other commodities.

A Human Document

MANY persons seem to hold the view that banking is a dry sort of business, exempt from the manifestations of human interest attaching to business of other kinds. Those who are carrying on the actual operations of banking know how superficial this view is; that the bank in reality differs little from other places where the human comedy goes on from day to day. Here is an exact copy of a letter received at the office of the Comptroller of the Currency in Washington, showing that the bank president himself is sometimes intensely human. (The names in this "heart-throbbing" document are, for obvious reasons, omitted.)

EXACT COPY.
The..............Bank,
................N. Y.

Washington, D. C.
Dear Sir:

I see you fellows are over riding us bank presidents by requiring the directors to answer your letters.

Our directors are pretty good fellows but about all they want is big dividends. ——— and I hammered them for 3 years, carried our resignations in our pockets to present if dividends was ordered.

You and Ex ——— set us up in 1899 with $20.800, *rotten stuff* all of which has been charged off, and by working hard days and laying awake nights on starvation salerys, committing pergery in Reports until we saw daylight.

In order to make money for the bank I have endorsed notes, advanced money, took mortgaged, damned by the Department, killed ———, and to day our Stock is selling for $150 to $160.

I haint no banker, never was, but I think I am a good judge of farmes and hay, have got boys who keeps the books, and counts the cash, and *we are all right*.

The U. S. Statutes made in Washington for City banks fits us like clydesdale harniss on a bul calf.

Requiring directions to answer letters scares them to death, think there must be a "nigger in the fence" besides giving them the hip lock on us officers.

I don't want any bocays thrown, neither do I want to be sot on.

Yours truly,

———

P. S. Our directors will answer your letter soon as they get togather, they live within a radius of 24 miles, and your young man sent here last knows what kind of a country we have to travel.

"IT is better that a man occasionally go wrong while proceeding to do good deeds on impulse than that he harbor good intentions without action."

Banking and Commercial Law

CASE COMMENT AND REVIEW

Gifts for Benevolent Objects

CONTRIBUTIONS to benevolent objects are usually made in one of three ways: (a) Testamentary disposition; (b) gifts of various sorts; (c) subscriptions or promises to give. In testamentary disposition, the law frequently stipulates the proportion of the donor's estate that may be given to charity; but the chief danger lies in making the gift or trust so indefinite that its administration is difficult if not impossible. For instance, a gift made in the form of a savings bank account running: "Almira Clark in trust for Benevolent Object Warburton Avenue Baptist Church" necessitated two trials to determine whether "benevolent object" meant a benevolent object of the church, or for general church purposes. The court finally ruled that it could be used for general church work.

Likewise a bequest to the "Methodist Episcopal churches of the ninth ward of the city of New York, according to the number of members, to buy coal for the poor of said churches," was held good.

In matter of Shattuck (193 N. Y. 446) the Court of Appeals said: "Since the enactment of Chapter 701, Laws 1893, gifts in trust for public charitable purposes are not void for the uncertainty and indefiniteness of the beneficiaries if the purpose of the trust is defined with sufficient certainty to be carried out by the supreme court. But a trust may be so indefinite and uncertain in its purposes, as distinguished from its beneficiaries, as to be impossible of administration."

But the most frequent method of giving is by pledge, either conditional or absolute. For instance, a church desiring to raise a fund to build a new edifice, will secure the promise of a prominent man to give a certain sum provided a certain sum is raised by a designated time; or in the excitement of a campaign to raise a fund, or at a meeting where public pledges are invited, certain promises to pay are made, which may afterwards, on sober thought, be regretted; and the question arises: Can these promises be enforced?

Obviously no money consideration passes, and the usual defense is lack of consideration. Such a case arose in Iowa. Here the maker of several notes aggregating $20,000 promised to pay the sums named to the Kansas City (Kansas) University, on or before the expiration of one year after his death. While the notes read "for value received" the defense was lack of consideration. But on the strength of these promises many others were secured. On this point the court said: "It is not essential, in such a case, that the additional contributions thus induced should be devoted to the same fund or to the erection of the same building. If the original promise, when made, was intended to induce activities and expenditures by the beneficiary in pursuance of the purpose of its organization, and if such activities and such expenditures were induced thereby, even in part, it is sufficient consideration." And again: "We think that notes of this kind rest upon a somewhat different foundation from a note executed in a transaction, in contemplation of a pecuniary benefit to the maker, or to some other person selected by him, other than the payee. Such notes are frequently, if not

usually, executed, not as evidence of a promise to make a future gift, but for the specific purpose of creating a present asset for its beneficiary. A very substantial part of the assets of such institutions exist in this form. To lightly withhold judicial sanction from such obligations would be to destroy millions of assets of the most beneficent institutions in our land, and to render such institutions helpless to carry out the purpose of their organizations." (Brokaw vs. McElroy, 143 N. W. Rep. 1087.)

In another case (Irwin vs. Lombard University, 56 Ohio St. 9) the court said: "The requirements of the law are satisfied, the objects of the parties secured, and the perpetration of frauds prevented by the conclusion that the consideration for the promise in question is the accomplishment through the university of the purposes for which it was incorporated, and in whose aid the promise was made. * * * Indeed, the validity of such promises is supported by all the cases in which it has been held that subscriptions for public purposes of such a nature are enforceable."

In the current number appears a case in which such a note was used, with others, to raise a fund of $35,000, no expenditures having been made on the strength of it. It was held good. See Board of Trustees vs. Noyes on a subsequent page.

What is an Acceptance ?

WILLIAM RYAN executed the following order: "Spangle, Wis., Sept. 26, 1912. W. F. Binge, Plaza, Wis. Dear Sir: Pay to the order of State Bank of Spangle, seven hundred forty-nine and 92-100. Bal. threshing acct. WM. RYAN."

When the order was presented, Mr. Binge wrote as follows: "Dear Sir: I return the Ryan order. Bal. of his acct. is same as order, but I do not know if the hands have been paid and you will have to wait till thirty days are up. Yours truly, WM. BINGE."

Was this an acceptance? Did William Ryan assent to the order of the drawer? No, he only admitted the correctness of the amount, but he did not assent to the order, either qualifiedly, or conditionally, or partially. There is no promise to pay even at the end of thirty days.

It has been held that a verbal acceptance, "Here is your bill. It is all right"; "this bill will be paid, but we cannot allow you for a duplicate protest," is good; but the Negotiable Instruments Law requires acceptances to be in writing, and this being in writing, but constituting no promise to pay was not an acceptance. Plaza Farmers' Union Warehouse & Elevator Company vs. Ryan, 138 Pacific Rep. 651, February 14, 1914.

An Endorsement in Hebrew

MORRIS KUSHNER, ill in a hospital, wrote a letter to the Public Bank, New York, requesting it to pay to his son, Harry, whatever money he had in the bank. The son presented the letter and received a cashier's check on the National Bank of Commerce to the order of Morris Kushner.

Harry Kushner endorsed the check in his own name, in Hebrew, and delivered it to Sadie R. Marcuson, who endorsed it and received payment through the Yorkville Bank, which in turn collected it through the clearing-house. The Yorkville Bank guaranteed the indorsements.

About eleven months afterwards, the fraud was discovered and refund made, and action begun by Miss Marcuson against the Yorkville Bank.

It is apparent that the Public Bank did not honor the request of its depositor; that the Bank of Commerce did not follow the directions of the Public Bank and was liable to it; that in guaranteeing the endorsements, the Yorkville Bank was liable to the Bank

of Commerce, and Miss Marcuson was in turn liable to the Yorkville Bank, and it was so ordered. Marcuson vs. Yorkville Bank, 147 N. Y. Supp. 472, April 28, 1914.

One Mistake Does Not Assume Another

JESSIE LEWIS had an account in a Schenectady trust company. So did Jennie Levine. The names look alike when poorly written. Jessie Lewis' deposit of $63 was, by one of those errors common to all human bank clerks, credited to Jennie Levine. The latter drew out the whole amount and the bank sued her for the overdraft.

The preposterous claim was made that she (Levine) had also made a $63 deposit that day, but had lost her book since. She tried to show that the bank had failed to credit a former deposit, but the court could conceive of no law whereby evidence that one mistake had been made could be admitted to prove that another was made. Negligence once is no proof of negligence twice. Citizens Trust Company of Schenectady vs. Levine. New York Supreme Court, May 6, 1914. (147 N. Y. Supp. 787.)

Negotiability of Note Without the Words "Or Order"

IN the case of Owens vs. Blackburn and others (146 N. Y. Supp. 966) the court was asked to pass on the negotiability of and liabilities of the parties to the following note:

4192.50. Zanesville, O., Feb. 12, 1907.

Four months after date we or either of us promise to pay to the Old Citizens' National Bank of Zanesville, Ohio, four thousand one hundred and ninety-two and 50-100 dollars, value received, payable at said bank with interest at 6 per cent. per annum.

No. 17319. Due June 12.

J. E. Blackburn.
Elmer Dover.
J. B. Owens.

It was held that the note, not being payable to bearer or order was non-negotiable, and there would, therefore, be no presumption of consideration; but the recital "value received," in the body of the note, constitutes an admission that the instrument was issued for a sufficient consideration.

The promise is both joint and several. All of the makers and each of them, therefore, has admitted the receipt of consideration for the promise. The plaintiff is one of the makers, and the defendants are the other two.

The plaintiff alleges that he was compelled to pay the note, and that he paid it in full, with interest, and that he has demanded that each of the defendants contribute to him one-third of the amount paid.

There is no merit in the contention that the plaintiff should have alleged that neither of the defendants paid the note. That is fairly to be implied from the allegation that he was compelled to pay it.

The three makers were liable to the payee both jointly and severally, but presumptively, as between themselves, their liability was joint, and equity requires that they bear the burden equally, and that those who have not paid shall contribute to the plaintiff, who has been obliged to pay the entire amount for which all three makers were liable.

It was not incumbent on the plaintiff, in the circumstances, to allege an agreement for contribution, for that is an obligation implied and enforced by courts of equity.

Corporation Note

New York

Power of Corporation to Issue Accommodation Paper—Knowledge of Officers acting Individually and for the Bank

New York Court of Appeals, April 21, 1914.

JACOBUS VS. JAMESTOWN MANTEL CO.

A corporation has only such powers as are given it by law. As such it cannot issue accommodation paper. One dealing with corporation officers is bound to know the extent of their authority.

ACTION by Warren Jacobus against the Jamestown Mantel Company. From a judgment of the Appellate Division (149 App. Div. 856, 134 N. Y. Supp. 418), affirming a judgment for defendant, plaintiff appeals. Affirmed.

STATEMENT OF FACT

THIS action is brought on a promissory note, of which the following is a copy: "$2,500.00. New York, Oct. 8, 1909. Six months after date we promise to pay to the order of ourselves, Two thousand five hundred & 00/100 dollars at Newton Trust Company, Newton, N. J., value received. Jamestown Mantel Company, Geo. M. Turner, Treas." Said note was indorsed "Jamestown Mantel Company, Geo. M. Turner, Treas.," and it was thereafter delivered to and discounted by the Newton Trust Company, the assignor of the plaintiff.

It is the last one of a series of like notes, the original of which was given in August, 1907. At the time herein mentioned the trust company had an investment committee consisting of Hough, its president, Searing, its vice-president, and George, a director. Searing and George were partners doing business in New York City. In August, 1907, Searing was the president of the Delaware & Eastern Railroad Company. One Welch, an attorney-at-law, had done business as such for said railroad company and for Searing individually. Welch asserted that the railroad company and Searing owed him considerable money for services; he told Searing that he needed money for his immediate use, and Searing said to him that the company was not in a position to pay him at that time, but that if he would borrow a note from somebody for a short time, he, Searing, would have it discounted at one of his trust companies.

Welch went to Turner and told him that he wanted to borrow a note of the Jamestown Mantel Company for $2,500 to have it discounted, and that if he, Turner, would furnish him with such a note he would take care of it when it was due. Turner in the name of the mantel company, and in the form shown, made and indorsed a note for $2,500, and gave it to Welch. Welch delivered it to Searing, who sent it to the trust company, and received in return for it a draft of $2,425, being the amount of the note less the discount thereon. Searing retained the proceeds of the draft and told Welch that his trust companies were not in funds to discount the note.

Before the note became due, however, Searing told Welch that the note had been actually discounted, and that he had used the money. It was thereafter renewed from time to time until the note now in suit became due, when further renewals were refused by the mantel company, and it also refused to pay the note. The defendant was in no way directly or indirectly interested in the transaction. The note was given in its name wholly without authority. * * *

OPINION OF THE COURT

CHASE, J.: The first question for consideration on this appeal is whether the knowledge of Searing, under the circumstances disclosed, is attributable to the trust company. We think not. Searing conceived the idea of obtaining money from the trust company on a note to be borrowed for the purpose, and he was the one actively engaged in carrying out the plan. In carrying it out he was reckless of the consequences to the trust company. In all the transaction he

acted for himself individually or in his capacity as president of the Delaware & Eastern Railroad Company. There was no meeting of the investment committee of the trust company, and no action thereon by it as a committee. Searing acted at his place of business, and not at the place of the trust company, and wholly independent of his official relation to it. His knowledge was intentionally concealed from the trust company with the fraudulent purpose, probably formed at the time the note was first suggested, of retaining the proceeds thereof for himself.

If we admit that the evidence is insufficient to justify the conclusion that Searing intended to keep the proceeds of the note for his personal use when he first suggested to Welch that he borrow a note to be discounted, it must at least be conceded that he either intended at that time to obtain the money for his personal use, or to use it for the benefit of the corporation of which he was president. Searing is a lawyer, and he must have known that the note, being entirely apart from the business of the corporation, was not a binding obligation upon it.

In any event the concealment of his knowledge from the trust company was necessary to enable him to obtain from it the proceeds of a note which he knew had been executed without authority, and which would at least be of doubtful value in the hands of the trust company. The trust company should not be held cognizant of his knowledge. Brooklyn Distilling Company vs. Standard Dis. & Dist. Company, 193 N. Y. 551.

There are other objections to the plaintiff's recovery upon the note that are fatal to his contention. The defendant is a domestic manufacturing corporation. A corporation is an artificial entity, having only such powers as are given to it by law, and such implied powers as are necessary to the exercise of the powers expressly given to it.

The defendant was organized to "manufacture wood mantels, interior finish, bank, office and bar fixtures and generally to carry on any manufacturing business which can conveniently be carried on in conjunction with any of the matters aforesaid." The treasurer of the defendant corporation had no express authority by its by-laws or otherwise to sign or indorse a promissory note.

The president of the trust company had never had a transaction with the defendant corporation, and did not know its treasurer. He does not remember that Searing said anything to him whatever at the time the note was sent to him for discount. It was taken by him on behalf of the trust company without inquiry either as to the responsibility of the corporation or as to the authority of its treasurer to make a promissory note even in the usual course of its business.

It affirmatively appears, as we have seen, that the treasurer had no express authority to make a promissory note, and that the note as made was not made in the regular transaction of the business of the corporation, but wholly as an accommodation to a friend of such treasurer.

A manufacturing corporation has no power to make or indorse notes for the accommodation of others. National Park Bank of N. Y. vs. Ger. Am. M. W. & S. Company, 116 N. Y. 281; Fox vs. Rural Home Company, 90 Hun, 365, 35 N. Y. Supp. 896, affirmed, on opinion below, 157 N. Y. 684. One who deals with the officers or agents of a corporation is bound to know their powers and the extent of their authority. Alexander vs. Cauldwell, 83 N. Y. 480. Notwithstanding the general rule stated, a corporation is bound if it makes or indorses commercial paper for the accommodation of another in respect to a bona fide holder who discounts it before maturity on the faith of its being business paper. Mechanics' Banking Association vs. N. Y. & S. White Lead Company, 35 N. Y. 505. The decision in the White Lead Company Case, supra, and other similar decisions are based upon the

assumption that the officers making or indorsing a promissory note had authority from the corporation to make and indorse such notes in the ordinary course of its business. Such decisions do not apply to a case where the officers purporting to act for a corporation do not have authority to sign commercial paper in the ordinary course of its business. A treasurer of a manufacturing corporation has no power to make promissory notes in its name unless such power is expressly given to such officer by the by-laws of the corporation or by resolution of its board of directors. Thompson on Corporations (2d Ed.) § 1564; Daniel on Negotiable Instruments (5th Ed.), vol. 1 § 394; Edwards on Bills, § 65; Beach on Private Corporations (2d Ed.), vol. 2, § 804; McCullough vs. Moss, 5 Denio (N. Y.) 567; National Bank of Newport vs. Snyder Manufacturing Company, 107 App. Div. 95; Niagara Falls Suspension Bridge Company vs. Bachman, 66 N. Y. 261; People's Bank vs. St. Anthony's R. C. Church, 109 N. Y. 512.

No presumption existed that the defendant's treasurer had power to make or indorse business paper. It was necessary, therefore, for the plaintiff to show that the treasurer had authority to execute promissory notes in the name of the corporation in the ordinary course of its business, or that the defendant was estopped from denying such authority.

It is urged that there is some evidence that the treasurer of the defendant had on one or more occasions signed a promissory note in its name in the regular course of defendant's business, and that such note or notes had thereafter been paid by the corporation. It does not appear that said treasurer had ever signed such a note prior to the execution of the note which was given in August, 1907. Whether he had done so or not is of little importance for the purpose of creating an estoppel against the defendant because it affirmatively appears that the trust company did not know of any of the acts claimed to have been done by the defendant's treasurer in its name.

If the defendant had, prior to August, 1907, in the usual course of its business permitted its treasurer from time to time to make promissory notes in its name which it ratified and approved by paying them, and knowledge of such acts had come to the trust company, and it had relied upon such acts as showing authority in the defendant's treasurer to make promissory notes in its name in taking the note in controversy, a question of estoppel would have arisen as against the defendant in this action.

It is essential for one claiming that another is equitably estopped from denying liability because of his previous acts and conduct to show that he was influenced by and relied upon such acts and conduct in making the promise or performing the act upon which the liability is asserted. Draper vs. Otsego County Fire R. Ins. Company, 190 N. Y. 12. The defendant is not estopped from denying its liability in this case. If the president of the trust company had made inquiry in regard to the practice of the defendant in making promissory notes and the authority of its treasurer to sign its name to such notes, and he had ascertained all the facts presented by the record, there would have remained a question of fact as to whether the inquiry was a reasonable one, and whether the facts shown were sufficient to warrant the action of the trust company in discounting the note in question.

It may also be assumed that the record presents a question of fact as to whether Turner as the treasurer of the corporation had authority to sign promissory notes in the usual course of defendant's business by reason of one or more notes having been signed by him which were thereafter paid by the corporation.

The plaintiff at the trial insisted that the court direct a verdict, and, it having directed a verdict for the defendant, the plaintiff is bound by the decision of the court upon all questions

of fact then open for its determination.

There is evidence on which the trial court was authorized to make the findings necessary on which to base its direction of a verdict for the defendant.

The judgment should be affirmed, with costs.

105 N. E. Rep. 210.

Promissory Note for Church Aid

IOWA

Supreme Court of Iowa, April 14, 1914.

BOARD OF TRUSTEES, ETC., VS. NOYES

A note given in a campaign to raise a church fund and used by a soliciting agent to induce others to subscribe is based on sufficient consideration, such consideration being the use of the note and the benefits derived by maker from the fund.

STATEMENT OF FACT

THE note which is the basis of plaintiff's claim reads as follows:

CONFERENCE CLAIMANT FUND UPPER IOWA CONFERENCE, METHODIST EPISCOPAL CHURCH

$500.00 Dubuque, Iowa, March 6, 1911.

On or before thirty years after date for value received I promise to pay the Board of Trustees of the Upper Iowa Conference of the Methodist Episcopal Church the sum of five hundred dollars without interest.

In case of my death prior to the expiration of the said thirty years, then and in that case this note shall become due and collectible at the date of my death.

This five hundred dollars is for the Confer-Endowment Fund.

Ann Noyes.

P. O. Dubuque, Ia.

The party who took the note was a minister, representing the Methodist Episcopal Church, and was in the field for the purpose of getting contributions, and he testified as follows, without objection: "I was present when this claimant's Exhibit No. 1 was signed. I knew Ann Noyes the day I was there. * * * I was employed by the Board of Trustees of the Upper Iowa Conference of the Methodist Episcopal Church to secure this fund. We were to secure $85,000. We started our condition on the whole amount being secured by a given date.

"One of the conditions was that there were fifty members of the said conference that were giving $100 apiece, and we were to secure as binding on the members of the conference, fifty, or they were not bound. We were to secure in all $85,000. Of this $10,000 was to be in $1,000 subscriptions, or pledges, $5,000 in $500 subscriptions, which would make ten, and $15,000 in $100 subscriptions, of which we expected to get fifty, some members of the conference, and the rest of the sum, $5,000, in various sums. This was explained to Mrs. Noyes at the time this note was signed.

"I stated it distinctly to Mrs. Noyes as I stated it, I think, to everybody that I saw, that the conference had undertaken to raise $85,000 conditioned, and I said, 'Now, Mrs. Noyes, it may be that this subscription which you are giving will be necessary to make that $85,000.' You see, she gave an unconditional subscription. This money was raised for the support of the Upper Iowa Conference. After receiving this note, I solicited subscriptions of other people. I solicited other subscriptions for this fund in which I referred to the fact that I had obtained a subscription and note from Mrs. Ann Noyes and can name the individuals. * * * I put a list of the different persons who subscribed in a book, and afterwards I used the subscriptions in my further solicitation in this way. I said that we had to have ten $500 subscriptions at a given time in October—October 15, 1912, was the limit. And that we had to fulfill the conditions to the very letter. When the time arrived, I wrote all who had subscribed conditionally and gave them the names of those who had subscribed, and the amount, and among them I gave Mrs.

Noyes. In the list of those names I gave as I have testified to, the name of Mrs. Ann Noyes was included. * * * All of the subscriptions received by reason of sending this list through the mail in which I mentioned Mrs. Ann Noyes were either paid in cash or in notes. * * * Q. You spoke about subscriptions being conditional. What do you mean by that? A. I mean that we started out to secure $85,000, in conditional subscriptions, the subscriptions. conditioned (not all of them) on the whole amount being secured by a given time, and the subscriptions were to be as I stated: $10,000 in $1,000 subscriptions; $15,000 in $100 subscriptions and $5,000 in various sums. Some of the parties made no conditions, and some paid the cash at the time. $1,000 of it was paid in cash or checks, but they were included in the $85,000 to help hold the $35,000, and, if we hadn't those, we could not have held the $35,000. The whole subscriptions were looked over by a committee of bankers. This has been handled with the greatest business care, and this note was also put in due to the fact that the conditions upon which the subscriptions had been secured have been fully met with, and therefore the subscriptions are binding, and then we immediately set out to have them paid either by cash or note. * * * The fund has been fully raised. It had to be raised within the time. Claimant's Exhibit No. 1 comprises a part of that fund. It comprises $500 of it. The fund would be $500 short if this was not all right. If anybody else fails to pay, the fund will be short." * * *

OPINION OF THE COURT

DEEMER, J.: The case is not unusual in character, and the question presented, to wit, that the subscription was entirely voluntary and without consideration, has troubled courts and text-writers from the beginning of such promises and subscriptions. The matter is not new to this court, and until the recent decision in Brokaw vs. McElroy, 148 N. W. 1089, it was generally believed that a consideration was to be found in expenditures made on the strength of the subscriptions, or upon the mutual promises of the subscribers to the fund; the promise of one being a consideration for the promise or promises of the others. This latter case approaches the matter from a new angle, and it is there held, following some cases (generally recent ones) from the other States, that: "Such an institution as the beneficiary herein is necessarily supported by the coöperation of many people who have a common and unselfish interest in its success. Ordinarily, one man could not carry the load alone. Coöperation is usually within the contemplation of each contributor. His gift would become mere waste if it must stand alone.

A contribution, therefore, may be in the nature of a response to a previous contribution by another, or it may be in the nature of an invitation to future contributions by others, or it may partake of the nature of both. All this may become a question of fact in a particular case. It would be manifestly unjust to permit a promisor of a contribution to withdraw his promise after it had served the function of inducing other contributors to incur obligations to the same beneficiary and for the same general purpose.

We think that notes of this kind rest upon a somewhat different foundation from a note executed in a transaction, in contemplation of a pecuniary benefit to the maker or to some other person selected by him, other than the payee. Such notes are frequently, if not usually executed, not as evidence of a promise to make a future gift, but for the specific purpose of creating a present asset for its beneficiary.

A very substantial part of the assets of such institutions exist in this form. To lightly withhold judicial sanction from such obligations would be to destroy millions of assets of the most

beneficent institutions in our land, and to render such institutions helpless to carry out the purpose of their organization. Unfortunately, authorities are in conflict at this point, and some courts have applied a very narrow rule to this class of obligations. We think the trend of modern judicial opinion is in the other direction. Various phases of the question have been before this court in the following cases: Simpson College vs. Bryan, 50 Iowa, 298; University vs. Livingston, 65 Iowa, 202; Presbyterian Church vs. Baird, 60 Iowa, 237; Simpson College vs. Tuttle, 71 Iowa, 596; Church vs. Donnell, 110 Iowa, 5; King vs. Carroll, 129 Iowa, 364. In all the foregoing cases save one, the sufficiency of the consideration was sustained. * * *

The money was subscribed conditionally, and all the conditions were performed. To allow the maker of the note or her representatives to escape would doubtless relieve the other subscribers, at least to the amount of their unpaid subscriptions.

The decision of the lower court was rendered prior to the filing of the opinion in the Brokaw Case, supra, and, although the district court doubtless followed the weight of authority, we have adopted a different rule, and it is apparent that the judgment must be, and it is, reversed.

Power of Municipal Officer to Indorse

Massachusetts

Liability of Bank for Receiving Corporation Check on Individual Deposit

Supreme Judicial Court of Massachusetts, March 31, 1914.

QUINCY MUTUAL FIRE INSURANCE COMPANY VS. INTERNATIONAL TRUST COMPANY.

A check payable to the treasurer of a town as treasurer is the property of the town. The treasurer may endorse for deposit for the account of the town, but he cannot endorse for the purpose of putting the paper into circulation.

ACTION by the Quincy Mutual Fire Insurance Company against the International Trust Company. On report from the superior court. Judgment for the plaintiff.

OPINION OF THE COURT

CROSBY, J.: This action grows out of the dishonest conduct of John B. Lombard, formerly treasurer of the town of Framingham, acting in collusion with one Charles S. Cummings.

The check received from the plaintiff, being payable to the order of "Treas. of Town of Framingham," in legal effect stands upon the same footing as if payable to the town, and the money which it represented belonged to the town, who was the real payee of the check. Commercial Bank vs. French, 21 Pick. 486; Eastern Railroad vs. Benedict, 5 Gray, 561; Colburn vs. Phillips, 13 Gray, 64. Of course the defendant cannot successfully plead ignorance of the law relating to negotiable instruments as a defense to this action.

The check then being the property of the town, the power of the treasurer, Lombard, to negotiate it was limited to such authority as was given him by law. He had no legal authority to indorse the check for circulation, and knowledge of such want of authority was chargeable to the defendant, which, as the record shows and the defendant admits, dealt with the American Banking Company as owner of the check and not merely as agent to collect it for the town.

The town treasurer, Lombard, had limited powers as such to indorse the check. He could have indorsed it for deposit and collection to the account of the town, or for the purpose of providing an agent of the town with funds to pay a note or other obligation of the town then due and outstanding, but it was wholly beyond his power as treasurer to indorse it for circulation.

The record shows that the defendant collected the check and credited the proceeds to the account of its depositor, the American Banking Company. The defendant was charged with knowledge that the check was the property of the town, because that fact was apparent on its face and the indorsement thereon. The defendant dealt with it as the property of the banking company, and thereby became in law liable to the plaintiff for the proceeds thereof. Franklin Savings Bank vs. International Trust Company, 215 Mass. 231; Brown vs. First National Bank of Boston, 216 Mass. 298; Newburyport vs. First National Bank of Boston, 216 Mass. 304.

The defendant relies upon the doctrine that where one of two innocent parties must suffer by the fraud of a third person the loss must rest where it falls, especially if it falls upon the party whose negligence causes the loss. The case of Gloucester Bank vs. Salem Bank, 17 Mass. 33, is cited to sustain this principle of law. In that case the defendant bank bought certain notes purporting to have been issued by the plaintiff bank, but upon which the name of the president had been forged. These notes were paid by the plaintiff, and fifteen days afterward the plaintiff, having discovered the forgeries, returned the notes to the defendant and later brought an action against the defendant to recover the amount so paid.

Both the plaintiff and the defendant in that case were equally innocent and ignorant of the invalidity of the notes. It was held that as the plaintiff kept the notes for fifteen days after they were received, it was guilty of that degree of negligence which precluded it from calling upon the defendant to make good the notes, and that the circumstances showed an adoption of them by the plaintiff as its own notes, and that as the notes purported to have been issued by the plaintiff, who had the best means of detecting their invalidity, nothing short of immediate notice and demand for payment could authorize the plaintiff to maintain an action for the money paid.

The principle is well established that in such cases, where no fault or negligence is imputable to either party, generally the loss will remain where the transaction has placed it. Mackintosh vs. Eliot National Bank, 123 Mass. 393, cited by the defendant, was a case where the clerk of the plaintiff forged the plaintiff's signature to three checks, the blank forms of which were taken from the plaintiff's check book. One of the checks was presented by the clerk to the defendant bank and cashed, and the other two were delivered to a third person and paid to the latter by the defendant through the clearing house. It was held that the defendant bank must bear the loss, and that the plaintiff was not bound by his clerk's unauthorized acts.

First National Bank of Danvers vs. First National Bank of Salem, 151 Mass. 280, also relied on by the defendant was an action wherein the plaintiff sought to recover from the defendant the amount of a forged check in the name of one of the plaintiff's customers. The amount of this check afterwards was redeemed by the plaintiff to the defendant. It was found that the defendant was guilty of negligence in cashing the check without more inquiry as to its genuineness, and that the plaintiff was also negligent in not having more quickly discovered the forgery and in not having given notice thereof to the defendant. It was further found (151 Mass. 284) "that in fact this negligence has not prejudiced the defendant. * * * The plaintiff acted with entire promptitude when the forgery was discovered, and no negligence of it has prejudiced the defendant." It was accordingly held that the plaintiff was entitled to recover.

There is nothing in the case of Brown vs. Newburyport, 209 Mass. 259, favorable to the defendant's contention. The cases cited by the defendant and above referred to relate to forgeries of commercial paper

where the paper appears regular upon its face, and there is a duty to notify the bank promptly, that it may take measures to protect itself; but where, as in this case, the infirmity of the check is apparent upon its face, with the indorsement thereon, such cases have no application.

In view of the undisputed facts in this case the principle that, where one of two innocent persons must suffer by reason of the fraud of a third, the loss must rest where it falls, is not applicable.

The defendant also contends that delay and negligence on the part of the plaintiff in asserting its claim has released the defendant from liability, if such liability ever existed. There is nothing in the record to show that the defendant's position is different from what it would have been if an action had been instituted against it by the plaintiff immediately after the check had been received and collected by the defendant and its proceeds placed to the credit of the American Banking Company.

In view of the admitted facts the liability of the defendant is established.

In accordance with the terms of the report judgment must be entered for the plaintiff on the verdict.

So ordered.

104 N. E. Rep. 845.

Construction of Note

NEW YORK

Form and Interpretation of Promise to Pay—Requisites—Validity—Consideration—Parties—Liability

New York Supreme Court, Appellate Term, First Department, March 5, 1914.

SCANTELBURY VS. TALLCOTT.

A written promise to pay a certain sum on a certain day, with interest, is a promissory note, even though it be in the form of a receipt for money.

ACTION by Francis H. Scantlebury against Chester W. Tallcott. From an order setting aside a directed verdict for plaintiff, and from a judgment dismissing his complaint, plaintiff appeals. Reversed and verdict reinstated.

STATEMENT OF FACT AND OPINION

SEABURY, J.: The plaintiff, as assignee of the Oeking Company, sues for a balance of $1,500 remaining unpaid upon the following note, signed by the defendant:

New York, 7-8-13.

Received from the Oeking Company two thousand five hundred 00-100 dollars, which I promise to pay July 10th, 1913, with 6 per cent. interest per annum.

Chester W. Tallcott.

The proof shows that the Oeking Company loaned $2,500 to the defendant, who was the treasurer of the Ernst Wiener Company, which was in need of money. The loan was made by giving its check to the order of the defendant for this amount. The check was indorsed by the defendant.

The court below held that the defendant was not liable upon the note because the loan was in fact made to the Ernst Wiener Company, although the check for the money was made payable to the defendant personally. This circumstance furnished no ground for relieving the defendant from liability.

The Ernst Wiener Company was in need of money, and the plaintiff's assignor loaned this money to the defendant, and took back the personal note of the defendant. The defendant was none the less liable upon this note because he obtained the money for the benefit of the corporation of which he was treasurer, instead of for his own personal benefit.

The legal character of the instrument sued upon as a promissory note is in no respect changed because it was also a receipt for the money which

the plaintiff's assignor paid to the defendant. Nor is there anything in the case which indicates that the defendant was to be secondarily liable for the debt rather than he should become the principal debtor.

The name of the Ernst Wiener Company did not appear on the note, and the defendant was liable upon it even though the plaintiff's assignor knew that the defendant was merely the agent of the Ernst Wiener Company. 7 Cyc. 549. Even if the defendant was the agent of the Ernst Wiener Company, it was nevertheless competent for him to make himself personally liable for the money which the plaintiff's assignor loaned. Phelps vs. Borland, 30 Hun. 362.

The advance by the plaintiff's assignor of the money to the defendant for the benefit of the Ernst Wiener Company was a sufficient consideration to support the obligation of the defendant, and it was entirely immaterial whether the money advanced was retained by the defendant personally, or was delivered by him to the Ernst Wiener Company. Washington Bank vs. Ferguson, 43 App. Div. 74; Isaacson vs. Etkin, 148 App. Div. 219; First National Bank of Whitehall vs. Tisdale, 18 Hun, 151, affirmed 84 N. Y. 655.

In discussing this case, we have adopted the view most favorable to the respondent, and have assumed that the money was advanced to the defendant for the benefit of the Ernst Wiener Company, although an examination of the record shows that this is by no means conceded, and there is evidence in support of the plaintiff's contention that the money was advanced personally to the defendant.

The money having been advanced on the strength of the defendant's credit, it makes no difference whether he personally benefited by it, or whether he turned it over to a corporation of which he was a stockholder and treasurer. In either view the note sued upon is a valid obligation of the defendant; and no defense having been proved, it follows that the order of the court below, setting aside the verdict directed in favor of the plaintiff, should be reversed with costs, and the verdict of the jury reinstated with costs to the appellant. All concur. 146 N. Y. Supp. 184.

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

LIABILITY OF ENDORSER WHO ALSO GUARANTEES PAYMENT

————, Miss., July 14, 1914.

Editor Bankers Magazine:

SIR: Would you kindly give us your opinion of the following:

We purchased a note, being the last of a series of two notes, given by an individual to a corporation, secured by a deed of trust on land. We bought this after the first note had been paid. The corporation selling it to us endorsed the same as follows: "For value received we hereby guarantee payment of within note at maturity, or any time thereafter, waiving demand, notice of nonpayment and protest." Signed by the corporation, per secretary. It is an attorney fee note payable at this bank. The maker is unable to pay. We have asked the corporation to pay. They refuse and say we must proceed against the maker, foreclose on the security, before they are liable.

Another point in this case. We did not want this note and only took it after we told them it was done solely as an accommodation.

Please give us your opinion of this promptly and oblige.

SUBSCRIBER.

Answer: The question to determine would seem to be whether the corporation is an indorser or a guarantor. The fact that you took the note merely to accommodate them has no bearing on the matter—you paid value and they evidently received value, and it cannot become an accommodation in-

strument. If it were an assigned mortgage a different element would enter; but as the question is stated it is a promissory note with collateral security.

The corporation had title. In order to transfer the title they had to indorse it. The bank would not be holder in due course without an indorsement. A person is deemed an indorser who places his signature on an instrument otherwise than as maker, drawer or acceptor, unless he clearly indicates by appropriate words his intention to be bound in some other capacity. (Neg. Inst. Law §113, N. Y.) By this act of indorsing, the indorser warrants, among other things, that upon due presentation the instrument shall be accepted or paid, or both, and if dishonored, and necessary proceedings taken, he will pay. (§ 116, Neg. Inst. Law, N. Y.)

Being therefore an indorser, the corporation would be liable on its indorsement, unless it can be shown from facts other than those mentioned that it signed merely as a guarantor. It has been held in your State that a party contracting to assume the liability of an indorser cannot be held as a guarantor. (Tatum vs. Brown, 23 Miss. 760.)

The note in question seems to have taken the regular course of negotiable instruments—from maker to payee, and from payee to bank, upon regular indorsements, the guaranty being added as an extra protection to the bank, which in this case would not seem to be needed, the contract of indorsement being sufficient to enforce payment by the corporation which sold the note. Had the indorsement as stated been placed on the paper after delivery to the bank, or in some irregular form or time, the question of guaranty might arise; but in this case the solution seems simple; i. e., that the corporation is an indorser and as such is liable.

If the above does not answer your question fully, please send more details and copy of the note.

COMMERCIAL AND SAVINGS DEPOSITS DISTINGUISHED

————, Iowa, July 15, 1914.

Editor Bankers Magazine:

Sir: Will you kindly give your opinion as to the distinction between "commercial" and "savings" deposits as the terms are ordinarily understood in banking?

Cashier.

Answer: The deposits of banking institutions may be divided into two main groups: (1) Demand deposits, and (2) time deposits. Savings deposits being quite generally subject to notice are, therefore, optional time deposits, inasmuch as the right to require notice is generally reserved by the bank. Time certificates are under no condition payable on demand, and the maturity can be arranged for. The object of reserve is to place a bank in position to meet its obligations, and inasmuch as the maturing time deposits can be accurately gauged, preparation for payment can be made in due season. And realizing the distinction between the time and the demand deposit in the preparation necessary to meet the demands of depositors, the law generally stipulates a smaller reserve for the time than for the demand deposits, and rightly so.

As ordinarily understood in banking, commercial deposits are those arising from the balances in checking accounts, and saving deposits those arising from surplus funds placed on interest or awaiting investment.

A savings account is one that is: (1) Represented by a pass-book or certificate of deposit, the presentation or surrender of which is required as a requisite of payment. (2) That draws interest according to rules. (3) That is subject to notice or has a fixed maturity. (4) That is not subject to check, and also subject to rules other than those effective in the checking department. That is, the deposit is subject to agreement entered into at the time the deposit is made, which agreement is a contract, evidenced by the instrument and the rules included therein.

The Federal Reserve Act has recognized the distinction between demand and time deposits by stipulating a smaller reserve for time deposits than for demand, and classing all time deposits as demand deposits during the thirty days prior to maturity.

Where these terms are used in fixing reserves by State legislatures, no doubt the distinction was in mind when the law was enacted; but only a judicial decision could definitely settle the question if a dispute were to arise as to the difference between a commercial and a savings deposit.

The better way would seem to be to so arrange the bookkeeping system that no doubt can exist as to the true nature of the deposits as indicated by the contract under which they are received.

By any analysis that can be made by a banking mind, we fail to see how a commercial deposit can be other than a checking deposit—a demand deposit; and savings deposits those represented by pass-books and certificates, and which are subject to notice of withdrawal, or have a fixed maturity. Such is the generally accepted meaning of bank deposits.

Suggested Amendments to the Federal Reserve Act

By C. F. ALLIS Vice-President Second National Bank, Erie, Pa.

IT has been stated that only forty per cent. of the banks and trust companies in the United States that are eligible to membership have become member banks under the new Federal Reserve Act, and these are practically all national banks compelled to enter the system or lose their charters. This is not a favorable commentary upon the recognized advantages of the new system over the old, and the State bank examiners tell us that there seems to be little interest in the new system among those who have not yet entered it. They fail to see any advantages over their present position, or as they express it, "they will have too many bosses."

Now, if the new system is to be a success, instead of having forty per cent. of the entire number of banks and trust companies in the United States, there should be at least eighty-five per cent. and the act should be so framed that every experienced banker would see a positive advantage which would accrue to his bank by entering the system.

It was the intention, no doubt, of those who framed the Federal Reserve Act that every member bank should be able to rediscount its current bills and notes, or in some way be permitted to borrow money of the Federal Reserve Bank in the district at any time. A large number of the banks, however, contend that the new law is of no advantage to them for the reason that they seldom have any notes or bills which the act seems to recognize. The following amendments are, therefore, suggested that no member bank shall be refused accommodation for the want of a certain prescribed class of notes or bills of exchange which they may not have.

Under these amendments every member bank will be able to provide itself with the necessary funds whereby it can meet unexpected demands and perhaps increase its total discount lines subject to the approval of the directors of their Federal Reserve Bank.

AMENDMENT TO SECTION 13 OF THE FEDERAL RESERVE ACT

UPON the endorsement of any member bank, with a waiver of demand, notice and protest by such bank, any Federal Reserve Bank may receive from its member banks as collateral security for loans, any promissory notes given in good faith to the member banks according to their usual practice, provided such notes were not given for speculation, and mature within six months from the date of transfer to the Federal Reserve Bank. The Federal Reserve Bank is hereby permitted to advance upon such notes seventy-five per cent. of their face value and to demand from its member bank a collateral note in usual form whereby the said member bank pledges the notes described above. The collateral note may be discounted or may bear such rate of interest and be payable at such date as shall be mutually agreed upon, but said notes must be fully paid by the member bank within six months from the date of discount. The aggregate loans upon the above collateral shall at no time exceed five per cent. of the total deposits of the said bank.

Any Federal Reserve Bank may receive from its member banks as collateral security for loans any coupon or registered bonds upon which the interest has been promptly paid for a period of five years previous to their being offered as collateral security. The member bank will execute and deliver with the collaterals a collateral note in the usual form, payable within six months after date, and said notes may be discounted or bear such rate of interest as shall be mutually agreed upon. The Federal Reserve Banks are hereby permitted to advance seventy-five per cent. of the market value of said bonds. The above collateral notes shall be paid in full within six months after the date of discount by the Federal Reserve Bank. The aggregate loans upon the above collateral shall at no time exceed five per cent. of the total deposits of the said bank.

It is the experience of every bank probably that good customers at times require a larger amount of loans than their credit (unsecured) would warrant and yet the same customers are able to give a mortgage to the bank as collateral security which would be in every way satisfactory to the bank and the customer. The following amendment is suggested in the interest of both parties:

All member banks are hereby permitted to take as collateral security for regular business or commercial loans, bonds and mortgages made in favor of the bank or assigned to the bank in proper form. These mortgages not to exceed sixty per cent. of the market value of the property and the aggregate amount of such loans shall not exceed five per cent. of the total deposits of the said bank.

By extending the rediscount privileges as above indicated, a large amount of security now shut out would be available for rediscounting by the Federal Reserve Banks, but would not this proposed extension defeat the aim of the law to confine such rediscounts to short-time commercial paper?—EDITOR BANKERS MAGAZINE.

Virginia

History, Agriculture, Commerce and Industry Unite to Crown This Proud Old Commonwealth

NO American need adopt an apologetic tone when speaking in enthusiastic language of the history of Virginia. For he who derives no glow of inspiration from that marvellous story lacks sympathy with the very genius of our institutions. Here were the beginnings of that colonial development that led to the establishment of one of the mightiest republics the world has ever known. Here was nurtured a race of men whose lives and deeds have filled the earth with their undying fame. Washington, Madison, Jefferson, Marshall and Henry belong not to Virginia alone, but to the country and to the cause of liberty the world over. And to the great soldier Lee is paid the reverent love and respect that accompany devotion to duty, splendid courage, unflinching integrity, and the dignity of a simple, serene and stainless soul.

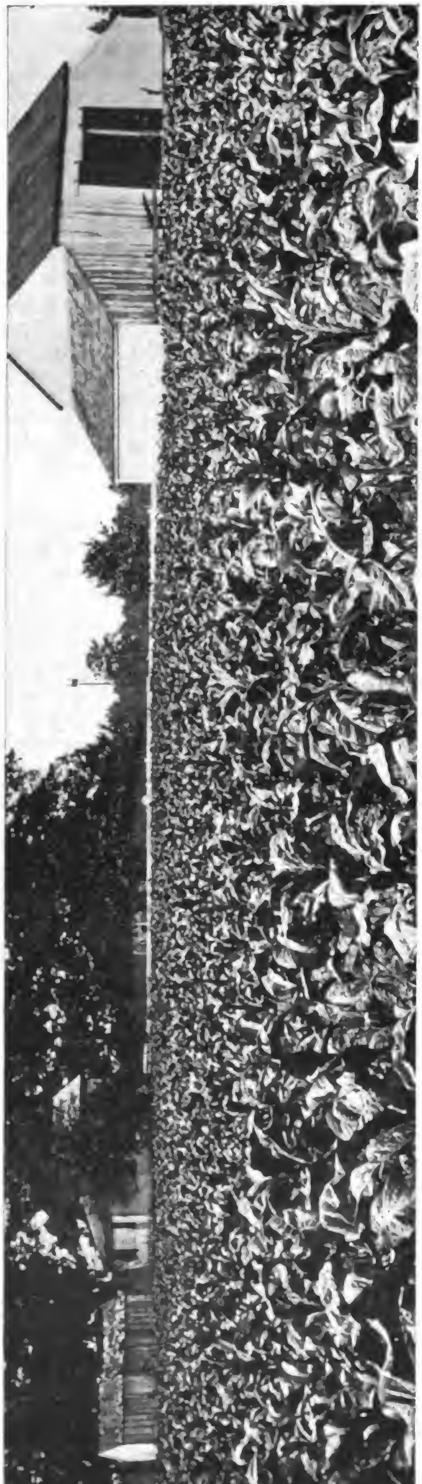
Virginia gave to the early development of our national life not alone the priceless legacy of these great names, but the example of a community whose growth was based upon orderly respect for law, a just regard for the rights of property as well as for the rights of man.

The chief streams of American civilization that have now overflown the entire continental United States came originally from New England, northern New York and from Virginia and adjacent Southern States. In many families throughout what is now known as the "Middle West," these strains of ancestry may still be traced, constituting what is commonly regarded as the purest American type, antedating these later days when the irruption of different races from Central and Southern Europe threatens in time to obliterate the last vestige of our primitive character.

The dogged persistence of the early settlers of Virginia made Colonial America a possibility and a certainty; and later, when the short-sighted policy of the then dominant Government of the mother country encroached upon the liberties of the colonists, the fiery eloquence of Henry, the burning enthusiasm for liberty that flamed forth in the writings and speeches of Jefferson lit the torch of revolution, and through the military genius of Washington the struggling colonies entered upon their career as an independent sovereignty. Hardly less important in cementing the work thus auspiciously begun was the solid wisdom of Madison and Marshall.

The contributions of Virginia to the colonial development and the Revolutionary and post-Revolutionary epochs of American history give the Commonwealth a preëminent position in the country's annals.

When civil discord threatened to break up the Union of the States, Virginia cast in her lot with her sisters of the South, and through four years of bloody and devastating war—at a tremendous sacrifice of property and life—carried on a contest in behalf of the cause to which had been given the assent of the judgment and the conscience of her people. This terrible conflict has now passed into history, leaving no bitterness, but a noble heri-



TOBACCO FIELD AND CURING-BARN

MOVING TOBACCO FROM PLANTATION TO COUNTY WAREHOUSE

tage of memories of heroic deeds. Out of the great struggle emerged the majestic yet grandly simple figure of Robert E. Lee—the soldier of stainless memory.

Political disturbances following the close of the Civil War long delayed the return of that prosperity which the war itself had so completely destroyed. It was nearly a generation after the struggle ended before the agriculture, commerce and industry of the State began that wonderful forward swing which is rapidly placing this among the most favored sections of the entire Union. A climate neither enervating from heat nor inhospitably cold, a soil of almost unmatched fertility, abundant moisture, excellent and varied natural resources, cheap and efficient means of communication, proximity to great markets, and an energetic population—all these favorable factors have combined rapidly to increase the general prosperity.

TOBACCO PLANT IN BLOOM

THE GROWTH IN POPULATION

AS the chief purpose of a State has been declared to be the care and cultivation of men, the growth of population is a trustworthy index of how well this purpose is being met. Each decade since 1790 has marked a steady gain in the number of inhabitants. Virginia has but a small percentage of foreign-born inhabitants, the white

CARRYING TOBACCO TO MARKET IN OTHER DAYS

population being almost entirely of native parentage. This fact, of course, has made the growth in population less rapid than in those States receiving a large share of foreign immigration. Nevertheless there has been a marked gain in the number of inhabitants, the total rising from 974,000 in 1900 to 2,061,612 in 1910. And it must be remembered that this gain would have been far greater but for the separation of West Virginia in 1862.

While there are no very large cities in Virginia, there are a number inportant in population, commerce and industry. Chief of these is Richmond with a population (1910) of 127,628; Norfolk, 67,152; Roanoke, 34,874; Portsmouth, 33,190; Lynchburg, 29,-494; Petersburg, 24,127; Newport News, 20,205; Danville, 19,020; Alexandria, 15,329. In the last decade some of these cities show a growth ranging from forty-four to ninety per cent.

Although, as has been said, Virginia has no city of first magnitude, the density of population throughout the State is well above the average for the whole country. The total land area of the State is 40,262 square miles, and the average number of persons to the square mile, 51.2, compared with 30.9 for the whole United States. In density of population Virginia ranks fourteenth among the States.

AGRICULTURE

VIRGINIA presents a land surface of some 25,767,680 acres, about seventy-five per cent. of which is embraced in farms. The average size of farms has declined from 245.7 acres in 1870 to 105.9 acres in 1910, showing the tendency toward more intensive cultivation, particularly as exemplified in the enormous number of

LEAF TOBACCO SALE—A SCENE TO BE WITNESSED AT 10 O'CLOCK EVERY MORNING IN THE BUSY SEASON

small truck farms in the Tidewater region. The total farm values are $625,065,000, including live stock and implements. It is of interest to note that of the 184,018 farms in the State, 133,664 are operated by owners.

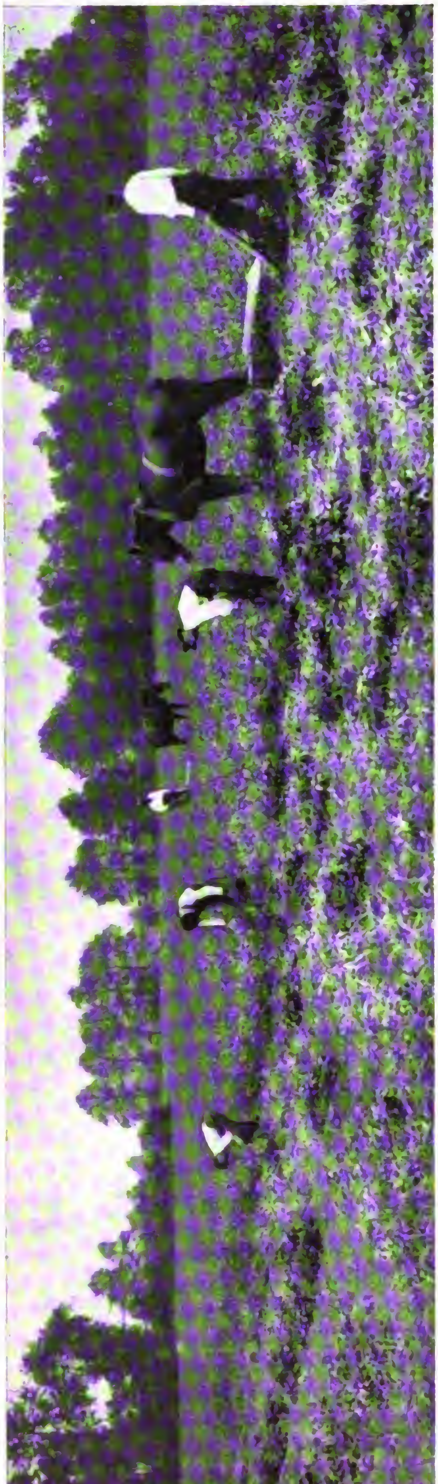
The principal crops are the cereals, hay, tobacco, potatoes, sweet potatoes and other vegetables. Total value of crops in 1909 was placed at $100,531,000, or 71.8 per cent. greater than in 1899, part of the increase in value being attributed to higher prices.

A LABORER IN THE PEANUT VINEYARD

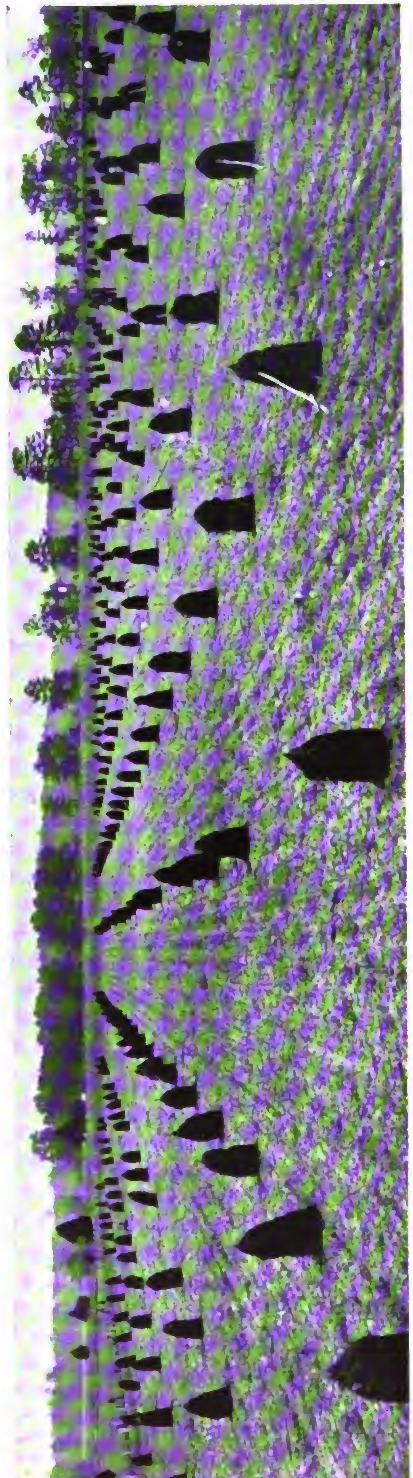
MANUFACTURING

THE State has excellent transportation facilities, both by rail and water; its coal fields produce an abundance of fuel, and its iron mines, forests, tobacco and cotton fields, with those of neighboring States, afford an ample supply of raw materials, while many of the streams furnish excellent water power—all these factors tending to the growth of manufacturing. In 1909 the number of manufacturing establishments in the State was reported at 5,685, employing 120,797 persons, the capital invested being $216,392,000 and the value of products $219,794,000. From 1904 to 1909 the number of establishments showed a gain of 78.4 per cent., and the value of prod-

PEANUT VINES—A GOOD YIELD



HARVESTING PEANUTS, ONE OF THE MANY PROFITABLE CROPS GROWN IN VIRGINIA



PEANUT VINES STACKED

LYNCHBURG—ONE OF VIRGINIA'S PROSPEROUS AND BUSY CITIES

ucts an increase of forty-seven per cent.

Details of some of the representative industries are presented herewith, as reported by the United States Census Bureau.

LUMBER AND TIMBER PRODUCTS—Under this heading are included logging operations, sawmills, planing mills and wooden packing-box factories. The industry embraced 2,617 establishments in 1909, or forty-six per cent. of the total for all manufacturing industries of the State, gave employment to nearly one-third of the total number of wage earners in such industries, and reported nearly one-sixth of the total value of manufactured products and nearly one-fourth of the total value added by manufacture. From 1899 to 1909 the average number of wage earners increased 129.9 per cent., and the value of products and the value added by manufacture 135.6 per cent. and 162.7 per cent., respectively.

TOBACCO MANUFACTURES—This industry includes the manufacture of chewing tobacco, smoking tobacco, cigars and cigarettes and snuff. The 104 establishments reported for the industry in 1909 gave employment to 7.5 per cent. of the total number of wage earners in all manufacturing industries in the State and reported eleven per cent. of the total value of manufactured products and 15.1 per cent. of the total value added by manufacture. The industry shows an increase of 51.4 per cent. in value of products and 40.5 per cent. in value added by manufacture from 1904 to 1909, as compared with an increase of only 7.8 per cent. in the former and a decrease of 1.7 per cent. in the latter for the preceding five years.

FLOUR-MILL AND GRISTMILL PRODUCTS—This industry gave employment to 1,014 wage earners and reported products valued at $17,598,000, although of this amount only $2,434,000 represents the value added to the materials by the manufacturing processes.

CARS AND GENERAL SHOP CONSTRUCTION AND REPAIRS BY STEAM RAILROAD COMPANIES—This industry represents the work done in the car shops operated by steam railroad companies and is almost exclusively confined to repairs on the rolling stock and equipment of the roads which they operate; it does not, however, cover minor re-

pairs in roundhouses. The industry gave employment to an average of 7,588 wage earners in 1909, and the value of its products amounted to $9,956,000.

Leather, Tanned, Curried and Finished—Measured by value of products, this industry ranked fifth in importance among the manufacturing industries of the State in 1909. Although the number of tanneries decreased

CITIZENS AND MARINE BANK, NEWPORT NEWS, VA.

from forty-four to thirty-nine during the five-year period, 1904-1909, the average number of wage earners increased 535, or 50.7 per cent., and the value of products $2,437,000, or 41.8 per cent.

Fertilizers—The manufacture of fertilizers is an important industry in Virginia, the State ranking fourth among the States of the Union in the value of this class of products. The statistics gathered from the establishments engaged primarily in the manufacture of such products do not fully represent the magnitude of the industry, as some establishments engaged chiefly in the manufacture of other products use their by-products in the manufacture of fertilizers. The average number of wage earners employed in this industry in Virginia was 1,956 in 1909 and 1,801 in 1904. Products to the value of $8,035,000 were reported in 1909, the industry holding sixth place among the manufacturing industries of the State in this respect.

Peanuts, Grading, Roasting, Cleaning and Shelling—This industry is centered largely in Virginia, which reported 81.5 per cent. of the total value of products for the industry in the United States in 1909 and 97.2 per cent. in 1904. In 1909, twenty-five establishments, giving employment to an average of 1,516 wage earners and reporting products valued at $7,933,000, were engaged in this industry in the State.

Textiles—The manufacture of cordage and twine and jute goods, cotton goods, hosiery and knit goods, silk and silk goods, including the operations of throwsters, and woolen goods constitute the textile industry of the State. Combined the five allied industries included forty-seven establishments in 1909, gave employment to 8,221 wage earners and reported products valued at $12,708,000. Of the combined value of products for these industries, the cotton-goods industry contributed 58.9 per cent.; the hosiery and knit-goods industry, 19.4 per cent.; the silk and silk-goods industry, 12.1 per cent.; the woolen-goods industry, 7.9 per cent.; and the manufacture of cordage and twine and jute goods, 1.7 per cent.

In addition to the forty leading industries there are twenty-four other industries in the State which had a value of products in 1909 in excess of $200,000.

The relative importance in manufactures of each of the ten cities having a population of 10,000 or over in 1910, with the exception of Newport News, is shown in the accompanying table; the value of products and average number of wage earners are shown for 1909 and 1899, so far as figures can be presented.

The chief industry of Richmond was the manufacture of tobacco products. Other important industries were printing and publishing; the manufacture of boots and shoes; the flour-mill and

City	Average number of Wage earners 1909	1899	Value of products 1909	1899
Richmond*	14,849	13,715	$47,357,985	$24,669,711
Norfolk*	4,749	2,638	10,341,321	4,691,779
Lynchburg	4,026	1,487	10,188,136	2,993,551
Petersburg	3,887	3,608	8,895,552	5,293,527
Newport News	(†)	5,285	(†)	5,937,820
Roanoke	3,544	2,431	7,260,859	5,397,993
Danville	3,076	2,933	5,389,430	3,693,792
Alexandria	1,470	859	4,419,562	1,538,871
Portsmouth	842	471	1,527,997	960,173
Staunton	339	(‡)	1,222,846	(‡)

*Figures for Richmond and for Norfolk do not agree with those published in 1904, because it was necessary to revise the totals in order to include data only for those establishments located within the corporate limits of the city. For Richmond in 1904 and 1899, the statistics for Manchester, which was annexed in 1910, are included.

†Figures omitted, to avoid disclosure of individual operations.

‡Figures not available.

gristmill industry; steam railroad repair shops; and the manufacture of bags, other than paper.

Norfolk held second place in the value of manufactured products, showing an increase of 80.2 per cent. in this respect together with an increase of 61.8 per cent. in the average number of wage earners from 1904 to 1909. The manufacture of lumber and timber products, hosiery and knit goods, and silk goods, and the grading, roasting, cleaning and shelling of peanuts were among the important industries in this city.

Lynchburg shows increases of 105.2 per cent. in value of products and 58.9 per cent. in number of wage earners from 1904 to 1909. The principal industries of the city were the manufacture of boots and shoes and of cotton goods, and the flour-mill and gristmill and foundry and machine-shop industries. Cast-iron pipe forms the chief product of the last-named industry.

Petersburg, Roanoke and Danville show increases of fifty-one per cent., 30.9 per cent. and 12.9 per cent., respectively, in value of manufactured products from 1904 to 1909. The leading manufacturing industries of Petersburg were the manufacture of trunks and valises, the grading, roasting, cleaning and shelling of peanuts, and the tobacco industry. In Roanoke the steam-railroad repair shops and foundries and machine shops, and in Danville the manufacture of cotton goods and tobacco products were the leading industries. In Alexandria the more prominent industries were the manufacture of fertilizers; the tanning, currying and finishing of leather; the

BANK OF PHOEBUS, PHOEBUS, VA.

glass industry; and breweries. In Portsmouth the manufacture of hosiery and knit goods and lumber and timber products were the leading branches of manufacture, and the flour mills and gristmills formed the leading industry of Staunton.

In Newport News shipbuilding was by far the leading industry. The sta-

tistics for the city, however, cannot be shown separately because of the possibility of disclosing individual operations.

Mining alone constitutes one of the State's important industries, the total value of all producing mines and quarries in Virginia for 1909 having a

BANK OF HAMPTON, HAMPTON, VA.

value of $8,795,646. Of this amount bituminous coal constituted 75.8 per cent., or $6,671,331 in value.

THE foregoing facts relating to the population, products and industries of Virginia are taken from the Thirteenth Census of the United States. As the period that has elapsed since these official figures were compiled has been one of activity and prosperity, no doubt later statistics would make an even more favorable showing. But the facts, taken just as given above, show a steady progress and a solid basis for it.

CLIMATE AND SCENERY

FROM the sea level to the mountainous regions Virginia has a rich and varied scenery, embracing the great gardens of the famous Tidewater section, fertile valleys and plateaus, the elevation rising finally as much as 7,000 feet. This variation of altitude has its effects on the climate, but everywhere throughout the State the temperature is generally mild, except for short periods when a somewhat marked change is the usual accompaniment of seasonal changes in most parts of the country. A coast line marked by sharp indentations affords exceptionally fine harbors and picturesque and advantageous location for the upbuilding of prosperous cities, while beautiful river courses and mountain ranges offer attractions to the tourist.

RICH IN HISTORIC SCENES

FROM the earliest days of the Colonial epoch, through the development to the Revolutionary period, and in the first years under the new Constitution and for a long time thereafter Virginia occupied a foremost position in American history. No pilgrimage to the shrines made famous in the settlement of the Colonies and the birth of the Nation, could fail to include a visit to the "Mother of Presidents." Virginia, too, was the theatre of some of the great scenes of the mighty conflict whose result has been the indissoluble linking together of a great Union of sovereign States.

A land of industrious, contented people, rich in natural resources, having a glorious history, prosperous in the present and looking with confident hope to a still greater future—this is Virginia.

A Woman's Question

Paying Teller—"I cannot cash this check, madam."

She—"Why not?"

Paying Teller—"There isn't enough money here to meet it."

She—"Then can't you meet it half way?"—*Boston Evening Transcript.*

Richmond

Development of This Enterprising Southern City in Population, Industry. Commerce and Banking

COL. WILLIAM BYRD
THE FOUNDER OF RICHMOND

WHEN the fortieth annual convention of the American Bankers Association assembles at Richmond in October, the thousands of bankers in attendance from all parts of the country will have an opportunity of enjoying the hospitality of one of the beautiful and historic cities of the country and of witnessing the numerous evidences which Richmond affords of advancement in population, industry, trade and general prosperity.

That the city has received a fresh impetus to its growth in recent years is evident on every hand—the many new and imposing bank, office and mercantile structures, handsome residences, enlarged warehouses and factories, and improvements of important and various kinds all testify in practical fashion to the progress of Richmond.

The fact that Richmond was recently chosen as the location of one of the twelve Federal Reserve Banks established under the new banking law has served to call attention to the city's importance as a financial and commercial center. That this city was chosen for the honor named in competition with Baltimore, Washington and New Orleans, was partly due to its advantageous situation for performing the special service required, but was also based largely upon the standing of Richmond as a commercial point and the sound and able character of its banking institutions.

THE CITY'S BEGINNING

TO that intrepid explorer and colonizer, Captain John Smith, is accredited the preliminary investigation which marked the beginning of the present city of Richmond. In May, 1607, shortly after the landing of the English settlers, Captains Smith and Newport with others ascended the James River to the point where Richmond now stands. In September, 1609, Smith again ascended the river to find a better location for the colony than the one at Jamestown. He purchased from the Indians some land near the present site of Richmond, and was so pleased with the place that he called it "None Such."

In 1733 Colonel William Byrd

VIRGINIA STATE CAPITOL, RICHMOND

founded Richmond; in 1737 he advertised its advantages in the "Virginia Gazette"; and subsequently, in 1756, to expedite sales of lots in the town, his son established the well-known Byrd Lottery, often referred to in conveyances of the present day.

Thus Smith, associated in story with the romantic Indian princess, Pocahontas, and her father, the famous Powhatan, may be considered the projector of Richmond; while the Byrds, in the parlance of to-day, were its promoters, lacking none of the enterprise and speculative spirit of the modern promoter.

The town of Richmond was established by the General Assembly of Virginia in 1742, but it was not made the capital of the State until 1779, when the seat of government was removed to Richmond from the more ancient city of Williamsburg.

It was also the capital of the late Southern Confederacy, and the storm center of the great war between the States. When evacuated April 3, 1865, its business section was almost entirely destroyed by a conflagration originating in the arsenals and warehouses, fired by the Confederates as a war measure.

From the earliest colonial times the history of Virginia, and especially Tidewater Virginia, including Richmond and its vicinity, has, by great events and great men, been prominently connected with every important era in the growth and development of the country. This is amply attested by the landmarks on every side—its battlefields, its historic buildings and its monuments. Brief reference to some of the more important of these interesting spots follows.

POINTS OF INTEREST IN AND ABOUT RICHMOND

THE names and events that give to the State of Virginia and the city of Richmond so important a place in the country's history are too well known to require recapitulation here, but mention of a few of the interesting points in and about Richmond will serve to inform the intending visitor of the rich treat in store for him. The contemplation of historic places, monuments and memorials is not alone an incentive to patriotism, but it has a great and silent power over the minds and imaginations of mankind. Amid

GOVERNOR'S MANSION

these historic memorials, the beautiful parks, and many other striking features, the visitor to Richmond finds a source of endless interest and wonder.

Chimborazo Park, formerly the site of the largest Confederate hospital in Richmond, affords a convenient starting point from which to reach the

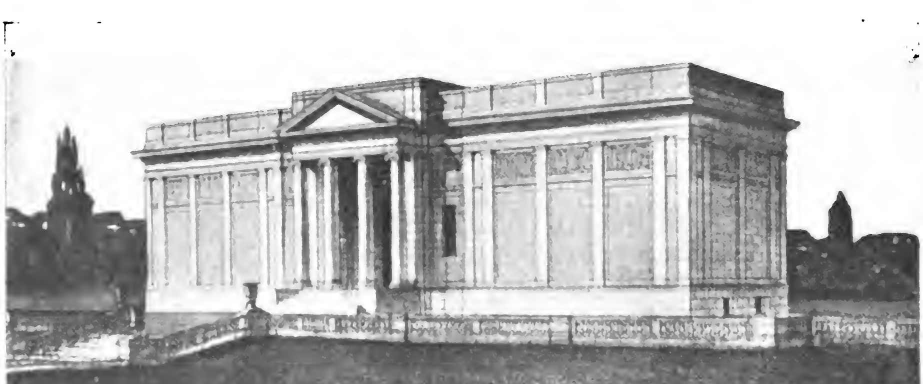
LEE CIRCLE

HOTEL JEFFERSON, FRANKLIN STREET, LOOKING WEST FROM ADAMS STREET

numerous points of interest. This park overlooks the valley of "Bloody Run," scene of a severe conflict with the Indians. The United States Weather Bureau is now located in the center of this park.

St. John's Church, built in 1741, contains inscriptions to the memory of Rev. Alexander Whittaker, an early missionary, and to Patrick Henry. It was to the Virginia convention, assembled in this church March 20, 1775, that Henry delivered his stirring speech which served to arouse the colonists to take action in defence of their liberties.

The First African Baptist Church, built originally in 1780, Monumental Church, Confederate Museum (White House of the Confederacy), residence of Lieutenant Maury, the Valentine Museum. John Marshall residence. St. Paul's Church, the Capitol Building, State Library, Washington Monument,



CONFEDERATE MEMORIAL INSTITUTE (THE BATTLE ABBEY)

RICHMOND SKY-LINE FROM THE RIVER

NEW CONCRETE BRIDGE, FOURTEENTH STREET

Governor's Mansion, Lee residence, statues of Clay, Jackson, Jefferson and others, the Stuart Monument, Lee Monument, Davis Monument, Battle Abbey, the Confederate Monument, Monroe's tomb, Tyler's grave, National cemetery—and many other points of interest.

About many of the places mentioned there cluster historic associations which most American readers will readily recognize. The list given contains only a few of the memorials which make Richmond one of the most conspicuous of our cities from the historical standpoint.

Prominent among the parks of Richmond is Capitol Square, comprising about ten acres in the center of the city. Chimborazo, William Byrd, Marshall, Taylor's Hill, Gamble's Hill, Monroe, Jefferson and Joseph Bryan are the principal city parks, while Lakeside and Forest Hill parks, be-

MAIN STREET, RICHMOND, LOOKING NORTH FROM FOURTEENTH STREET

CITY HALL

PROPOSED UNION STATION

yond the city limits, are places of great natural beauty.

CIVIC AFFAIRS

RICHMOND is a well-governed city, admirably paved and lighted, with an efficient police force and an excellent system of education. Its water works and gas works are municipally owned and have been successfully operated for fifty years. These public utilities, with the recently constructed electric light and power plant, are among the city's most valuable possessions.

The property owned by the city is valued at	$22,739,921.00
The city's total liabilities amount to............	12,333,458.00
Excess of its assets over its liabilities is	$10,406,463.00

But in addition to the city's assets referred to above, worth more than $22,000,000.00, large outlays not included in those figures have been made for improvements of the most valuable character; such, for instance, as over $2,750,000.00 for street and alley improvements during the last two decades, with liberal appropriations made for repairs, and for maintenance upon a high standard. The annual budget during the same period has increased from $1,338,845.00 in 1894 to $3,548,365.00 in 1914, and yet the net solvency of the city has increased while the per capita debt of its citizens has decreased.

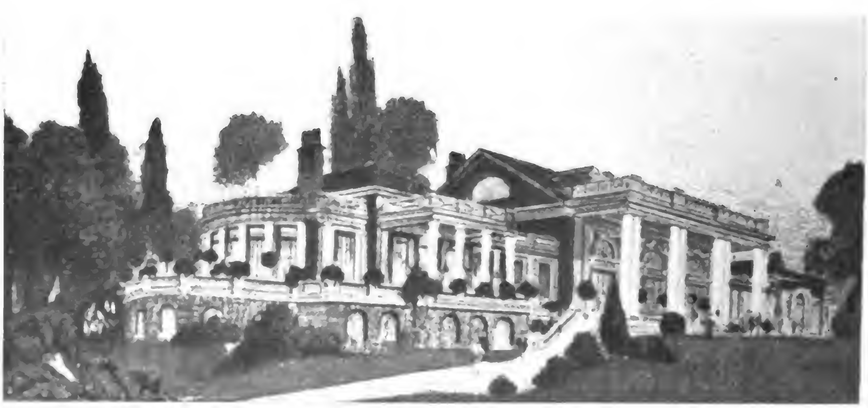
The present financial condition of the municipality, which is the best in its history, is but a reflex of the individual prosperity of its citizens.

The total property values based on State assessment recently completed are:

Real estate	$147,349,837.00
Personal property	65,117,959.00
Total	$212,467,796.00

The tax rate for all purposes is based upon seventy-five per cent. of the market value of real estate, and the market value of personal property.

The city rate is on each $100.00 of the assessed value,	$1.40
The State rate is on each $100.00 of the assessed value,	.35
Making the total tax rate for all purposes on each $100.00 of assessed value	$1.75



COUNTRY CLUB OF VIRGINIA, RICHMOND

HOTEL AND RETAIL SECTION

BROAD STREET, LOOKING WEST FROM SEVENTH STREET

RICHMOND'S COMMERCE AND INDUSTRY

OCCUPYING both banks of the James, where the falls of the river meet the tides of the sea, Richmond enjoys the advantages of both water power and water transportation—basic

BROAD STREET LOOKING EAST FROM JEFFERSON STREET

WHOLESALE DISTRICT, SHOWING PORTION OF C. & O. FREIGHT YARDS

features—one in connection with the problem of production, and the other with that of distribution. These great resources had a most important bearing on the earlier growth of Richmond. and plans are now being considered for giving to these valuable industrial and commercial assets their full force in the city's future development.

The location of Richmond, geograph-

TYPICAL SCENE ADJACENT TO ONE OF RICHMOND'S MARKETS

ically, is most favorable for assembling raw materials from a wide extent of territory to the north, south and west, in addition to those supplied from the farms, forests and mines of Virginia itself, whose resources of this character are both rich and varied.

The principal agricultural product of the State, besides the staple crops of corn, wheat, oats and other cereals, is tobacco. But it also produces the finest of vegetables and fruits, some of which are peculiar to its soil. Its timber resources and its fisheries are likewise most valuable.

An excellent display of the agricultural products of Virginia is to be seen in the old hall of the House of Delegates, Capitol Building, installed by the State Agricultural Department; and a splendid exhibit of the mineral and forest products of the State has been recently established on the lower floor of the new wing of the State Library Building.

Prominent among the industries of Richmond are the manufacture of tobacco into different forms for consumption; the Richmond branch of the American Locomotive Company, the Tredegar Company, the Old Dominion Iron and Nail Works, numerous and large plants of the Virginia-Carolina Chemical Company, the Richmond Guano Company, Richmond Cedar Works, the Southern Manufacturing Company, flour mills, paper mills and other plants. From the accompanying table may be gained, in detail, an idea of the city's industrial activities.

TRAVELERS BUILDING—VIRGINIA TRUST COMPANY OCCUPIES A PORTION OF GROUND FLOOR

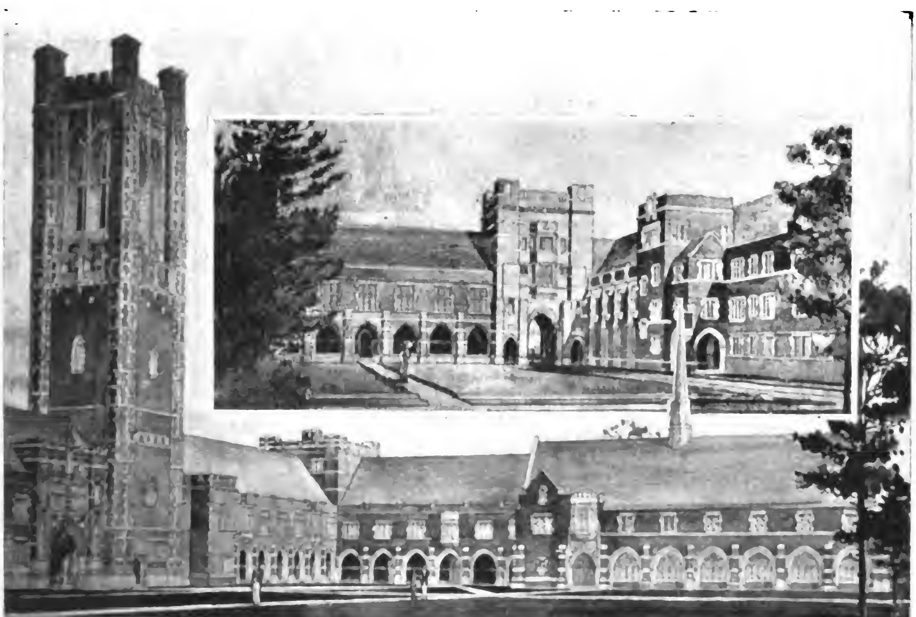
VIRGINIA RAILWAY AND POWER BUILDING

STATISTICS OF MANUFACTURES, 1913

Description of Industry	No. of Plants	No. of Hands	Capital Employed	Annual Sales
Automobiles, bicycles, locks and gunsmiths...	59	235	$125,250	$967,350
Bakers, confectioners, chewing gum..........	207	459	440,125	1,562,300
Beer bottling, liquor, mineral waters, ice....	30	360	997,103	3,077,050
Blacksmithing and wheelwrighting..........	51	309	340,175	943,210
Boots and shoes, manufacturing and repairing	165	1,437	825,010	4,786,150
Boxes, barrels, paper, twine, bags..........	33	1,960	965,100	4,821,225
Bricks, granite, tile, marble, stone..........	30	980	775,850	2,075,100
Carpentering, contractors, builders, plastering	139	1,075	998,750	3,487,665
Carriages, wagons, carts....................	26	283	327,200	671,101
Clothing, men's merchant tailors, shirts.....	80	360	389,017	940,216
Clothing, women's dressmaking, millinery....	169	327	283,122	687,105
Dairy products, pickle, vinegar.............	19	146	251,340	671,193
Dyeing and cleaning.......................	115	237	38,765	80,560
Drugs, medicine, perfumery................	106	320	775,111	3,125,108
Electrical, typewriters, wireworkers.........	33	392	236,100	996,450
Fertilizers, chemicals, cement, grease, tallow, roofing, florists	36	650	5,495,000	9,995,100
Flour, cornmeal, yeast powders, flavoring, blueing	16	382	715,225	7,620,214
Foundry, machine shops, agricultural implements	35	4,025	6,625,150	9,386,580
Furniture, mattresses, upholstery, picture frames, awnings, cabinetmakers.........	59	397	385,500	915,255
Jewelers, hairworkers, photography..........	41	360	379,850	895,900
Lumber, sash, doors, blinds................	31	980	567,400	2,650,050
Packers, curers, butchers..................	135	587	610,250	3,825,125
Painters, varnish, paperhangers, mica.......	57	132	48,500	397,500
Plumbing, gas, steam fitting, tin, coppersmith, sheet iron	163	425	398,500	2,350,220
Printing and publishing, book, job, bookbinding, blank-book, lithography, engraving	61	1,623	2,978,200	4,655,100
Saddlery, harness, hides, leather............	24	448	638,240	2,597,150
Tobacco, cigars, cigarettes, cheroots.........	29	4,850	2,989,000	7,057,000
Tobacco, smoking, chewing, reprising........	15	3,720	4,150,200	15,825,000
Woodenware, willowware, trunks, brooms, brushes	15	1,260	2,465,000	2,650,000
Totals	1,979	28,719	$36,214,033	$99,711,977
Total, 1912	1,919	32,577	36,004,942	101,209,493
Increase	....	.....	$209,091	....
Decrease	....	3,869	....	$1,487,556

RICHMOND CEDAR WORKS, LARGEST WOODENWARE FACTORY IN THE WORLD

POST OFFICE AND CUSTOM HOUSE



RICHMOND COLLEGE BUILDINGS

WESTMORELAND CLUB (6TH AND GRACE STREETS)

CONFEDERATE MONUMENT, MONUMENT AVENUE AND CEDAR STREET

TRANSPORTATION FACILITIES

THE James River is navigable and is a tidal stream from Richmond to the sea. In addition to its commerce in sailing vessels, barges and other craft, the Furman Line operates a steamer from Richmond, via City Point, up the Appomattox River to Petersburg, and two steamboat companies, the Old Dominion and the Virginia Navigation Company, as well as the rail lines, connect at Norfolk and Newport News with coast-wise and ocean-going vessels, affording the unrestricted advantages of the Atlantic seaboard close at hand and transporta-

MAIN STREET STATION

GATE TO JOSEPH BRYAN PARK

ONE OF RICHMOND'S FINE SUBURBAN RESIDENCES

tion facilities to all parts of the world.

Its strategic position as a gateway to the South enables Richmond to command a large trade with that section, and to engage in extensive commercial transactions in exchanging its own products and the products and commodities of the South with those of the North, Northwest and West. The Chesapeake & Ohio, the Norfolk & Western, the Southern, the Seaboard Air Line, the Atlantic Coast Line and the Richmond-Washington Air Line, the latter making close connection at

A TYPICAL CITY RESIDENCE

Washington with the Pennsylvania and the Baltimore & Ohio systems, afford exceptional shipping facilities for reaching a vast territory. The favorable rates enjoyed over these extensive systems by the merchants of Richmond are largely due to the actual and potential influence of its water transportation.

These facilities, coupled with the energy of the Richmond manufacturers and merchants, have built up a jobbing trade of large proportions, as indicated in the table herewith.

JOBBING TRADE, 1913

Class, Article or Kind	Capital in Business	Annual Sales
Groceries, confectioneries, liquors, cigars and tobacco	$3,278,000	$21,250,050
Provisions	1,998,500	14,760,107
Boots and shoes	1,725,000	8,125,800
Dry goods and notions	1,335,000	5,355,100
Coal, wood, hay, seeds, nursery	980,150	5,266,300
Drugs, licorice, flavorings	658,200	3,357,109
Hardware, agricultural implements	578,125	3,104,027
Railways, mills, plumbing supplies	567,500	4,125,015
Hats, caps, clothing, millinery, straw goods	369,050	3,104,027
Sewing machines, typewriters, electrical, bicycles, automobile, sporting and rubber goods	396,139	2,989,860
Oils, paint, varnish, glass	338,450	1,897,003
Leather, hides, saddlery, tanbark	285,100	2,203,090
Stoves, tin, china, earthenware	311,050	1,477,500
Books, stationery, paper	337,390	1,793,440
Furniture, carpets, upholstery	185,000	1,007,310
Pianos, organs, musical instruments	365,200	994,850
Totals	$13,707,854	$79,642,571
Totals, 1912	13,635,300	78,297,750
Increase	$72,554	$1,344,821

A general view of the progress which Richmond is making appears in the accompanying table.

GENERAL STATISTICS OF RICHMOND, VA.

Subjects	Year 1913	Year 1903	Per Cent. Increase Ten Years
Population	133,422	89,202	49
Taxable values	$149,051,226.00	$81,624,221.00	83
Telephones	18,672	4,682	299
Postoffice receipts	843,751.00	362,255.00	130
Building operations	3,636,476.00	2,426,000.00	50
Manufacture and number industries	1,979	1,366	45
Capital employed	30,214,033.00	25,409,008.00	19
Annual sales	99,711,977.00	60,713,599.00	64
Jobbing Trade—			
Capital in business	$13,707,854.00	$10,062,575.00	36
Annual sales	79,642,571.00	51,144,437.00	56
Banking—			
Bank clearings	$419,121,314.00	$208,177,595.00	101
Bank deposits	47,614,582.00	21,491,616.00	121
Bank loans and investments	58,515,401.00	19,251,540.00	204
Bank capital, surplus and undivided profits	18,364,400.00	6,961,452.00	164

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HOTEL RICHMOND—WASHINGTON MONUMENT IN FOREGROUND

RICHMOND'S BANKING POSITION

BANKING, in a sense, summarizes the commercial and industrial progress of a community. Virginia banking traditions are sound. In the old days of State bank notes, when in other States there were lax systems which brought discredit upon the banking and currency of the times, Virginia gave an excellent example of good banking, and the record then made constitutes a most instructive chapter in the history of American banking. It is a story that may be studied with profit even at the present day. Richmond is the heir of these sound traditions

MURPHY'S HOTEL, RICHMOND, VA.

CHAMBER OF COMMERCE AND MANUFACTURERS BUILDING

which constitute an honorable chapter in the State's history; and upon this solid foundation has been built up a fabric of finance that has adequately served the commercial and industrial requirements of the city and its territory, and that has been a factor of immense value in the prosperity of the people.

That Richmond should have been selected as the location of one of the twelve Federal Reserve Banks established under the new banking law in campetition with Washington, Baltimore and New Orleans is certainly a splendid tribute to the banking power of the Virginia capital. The qualifications of Richmond as a point for the location of a bank to hold the reserves of the national banks in its territory were thus summarized by Mr. George J. Seay in a brief prepared for the committee representing Richmond:

1. The importance of Richmond's geographical position—her facilities of communication, her *convenience* of location and accessibility to members with whom we now do business, and her *advantage* of location in all banking transactions between the North and South.

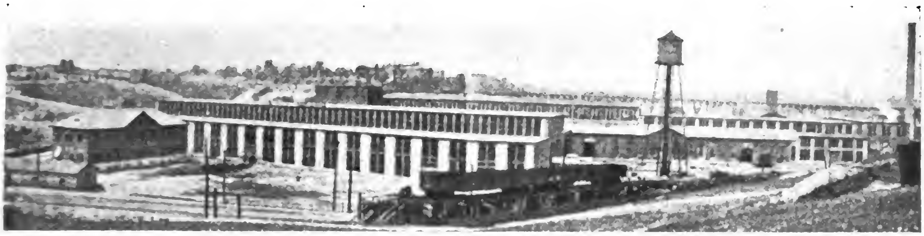
2. The present trend of business—the present course of commercial transactions—the natural currents of exchange—the present banking and trade connections and banking customs of the people.

3. The natural advantages of Richmond's location with relation to other Federal Reserve Banks necessary to be established on the Atlantic seaboard, in a territory embracing one-half of the national banking capital of the United States, and forty-one per cent. of the population.

4. Comparative commercial importance in the territory covered, measured by capital, deposits and other banking transactions.

5. Diversity of industries and agriculture—in their effect upon seasonal demand for credit and currency.

HOTEL RUEGER



AMERICAN LOCOMOTIVE WORKS

6. Necessity of having capital resources to handle the business of the district.

7. The wishes and views of those engaged in banking and commerce in the district outlined as to the location of their regional bank.

As illustrating the flow of business to Virginia and Richmond it was shown that on October 31, 1918, the national banks of Richmond had deposits from other banks:

National banks	$7,500,000
State banks	10,000,000
Total	$17,500,000

Virginia, in point of national bank resources, substantially leads all the Southern States east of the Mississippi.

Bank clearings, the facilities offered other sections in moving the crops, the commercial and industrial importance of the city, and finally the wishes and views of the people of the district, all combined to bring to Richmond this marked financial distinction.

Some excellent reasons for this designation were thus summarized by O. P. Austin, former Chief United States Bureau of Statistics:

"The section of country lying south of the Potomac and east of the Appalachians is set aside by nature as a distinctive region by reason of its peculiar soil and climate and geographic surroundings, and has therefore products peculiar to itself.

"Its total products which aggregated nearly two billion dollars in value in 1910 and more than that at the present time, are distributed with remarkable uniformity among the three great industries: agriculture, mining and manufactures; agricultural and mineral products forming about one-half. and

LIFE INSURANCE COMPANY OF VIRGINIA ON THE LEFT, WASHINGTON MONUMENT AND CITY HALL ON THE RIGHT

COMMONWEALTH CLUB

manufactures the other half of this grand total.

"The agricultural products represent an unusually large variety of articles which have their peculiar seasons of maturity, and thus coöperating with the manufacturing and mining industries in maintaining within the district a comparative uniformity and steadiness of demand for currency.

"Approximately one-third of these three great articles of commerce—manufactures, farm crops and minerals—are produced in the two northern States of the group—Virginia and West Virginia—and approximately two-thirds in the four States lying to the South—North Carolina, South Carolina, Georgia and Florida; but as most of these products of the Southern States move toward the North, Richmond, which lies within sixty miles of the southern line of Virginia and on the natural line of the northward trend of commerce and communication, becomes the natural center for the trade and finance of both sections of this natural region.

"The productions of this area may be expected to increase with great rapidity. Both manufacturing and agriculture showed in the period of 1900-1910 a much larger percentage of growth than that of all other parts of the country, and with the greatly increased use of water-power through the coöperation of electricity the contribution of the rivers of this section to its manufacturing power will rapidly increase its industrial and commercial activities.

"The foreign commerce of this section may be expected to rapidly increase. The value of the merchandise exported from the ports from the mouth of the Potomac to the western line of Florida is now approximately 140 million dollars per annum, and those two cities at the great natural harbor—Hampton Roads—have actually doubled their exports in the last two years, suggesting that the possibilities of this section as the gateway for the surplus products of the Missis-

STATUE OF GEN. "STONEWALL" JACKSON (CAPITOL SQUARE)

HOME OF CHIEF-JUSTICE MARSHALL

sippi Valley should be given careful consideration in connection with the financing of its prospective business.

"The value of the merchandise passing over the waters of navigable rivers and harbors from the Potomac to the western boundary of Florida was one and three-quarters billion dollars in 1912, the total value of its own products in 1912 fully two and one-half billion dollars, and the value of the commerce handled by it, approximately five billion dollars per annum, and may be expected to increase with great rapidity in view of the rapid growth which has characterized recent years.

"Richmond is the natural railway center for the movement of this commerce and its mail and express requirements with reference thereto, having three trunk lines from the South, two from the West, and two from the North, and a close communication with Norfolk, with its western and southern lines."

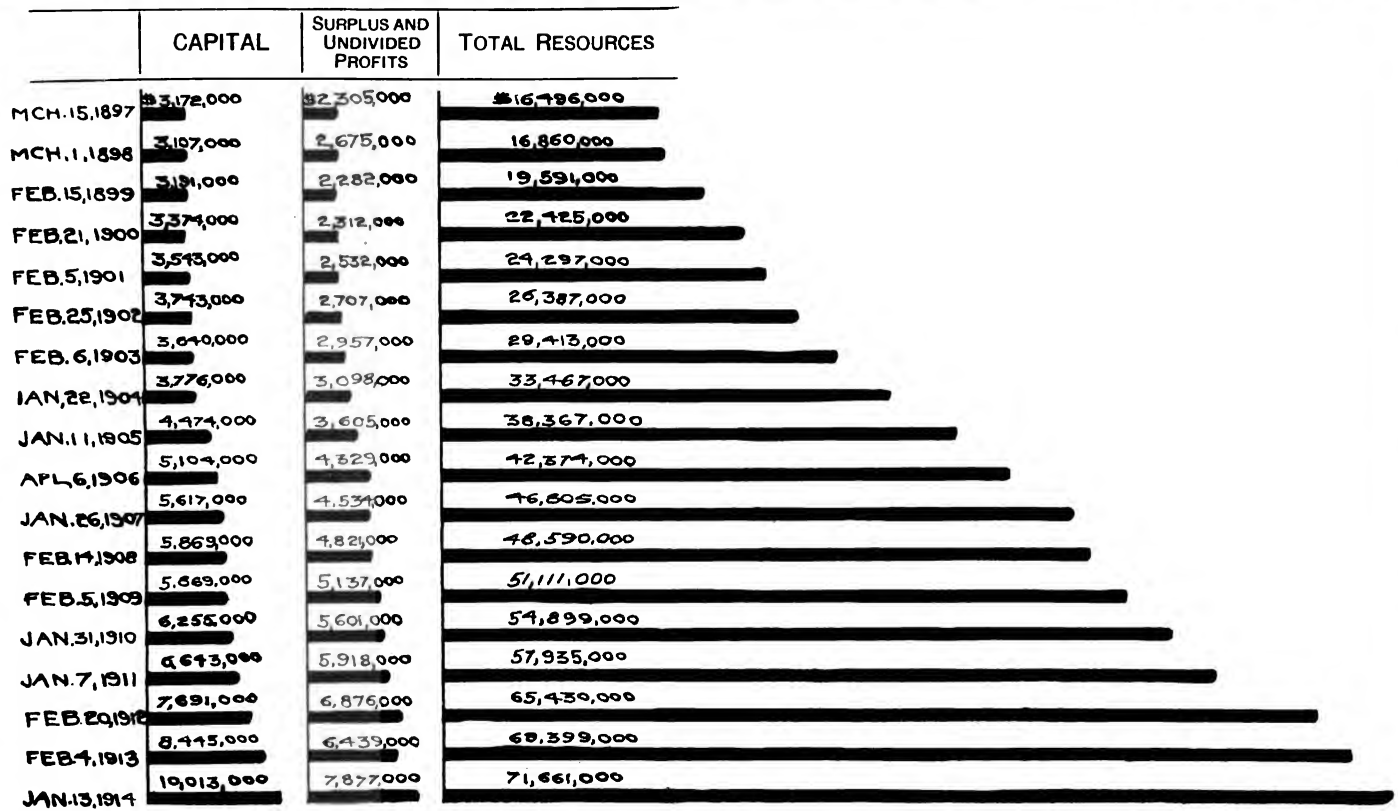
A partial exhibition of the relations which Richmond sustains to the national and State banks of some of the Southern States is given in the annexed table.

States	Number Banking Towns	Number of Banks	Number Banks with Accounts in Richmond	Number Bank Accounts Carried by Banks in Richmond
Virginia	266	437	288	500
North Carolina	308	486	229	403
South Carolina	222	405	122	181
West Virginia (16 Cos.)	40	95	61	82
Tennessee (10 Cos.)	24	41	13	20
Kentucky (35 Cos.)	57	111	3	3
Georgia	449	844	63	76
Florida	155	257	14	15

All the foregoing considerations—and others which might be mentioned—gave Richmond a substantial claim to the attention of the Reserve Bank Organization Committee. While the banks and people of Richmond are naturally gratified at what they regard as a just recognition of the city's commercial and banking importance, they are in no sense exultant over any other

"WHITE HOUSE OF THE CONFEDERACY" (12TH AND CLAY STREETS)

OLD ST. JOHN'S CHURCH



GRAPHIC REPRESENTATION OF THE GROWTH OF RICHMOND BANKS IN CAPITAL, SURPLUS AND UNDIVIDED PROFITS AND TOTAL RESOURCES, MARCH, 1897, TO JANUARY 18, 1914.

	Capital	Surplus, Profits and Reserve	Total Deposits
First National	$2,000,000.00	$1,201,998.65	$12,576,737.17
Planters National	300,000.00	1,511,352.17	6,683,721.16
Old Dominion Trust	1,000,000.00	1,090,734.68	809,681.96
National State & City	1,000,000.00	813,604.37	5,312,575.65
Merchants National	200,000.00	1,295,705.97	7,377,008.54
Richmond Trust & Savings	1,000,000.00	59,341.59	336,145.90
American National	1,000,000.00	708,375.03	5,341,350.92
Central National	350,000.00	58,891.13	626,475.12
Broad Street	200,000.00	140,823.15	1,570,623.78
Bank of Commerce & Trusts	250,000.00	159,169.87	1,009,162.27
Mechanics & Merchants	100,000.00	121,408.99	699,272.81
Union	219,750.00	538,369.20	1,253,367.37
Richmond Bank & Trust	476,191.68	45,409.19	367,378.56
Manchester National	150,000.00	22,343.61	286,693.69
Church Hill	150,000.00	28,199.77	392,353.58
Savings Bank of Richmond	200,000.00	257,139.99	1,277,269.84
Broadway National	200,000.00	23,338.78	152,715.42
Virginia Trust	1,000,000.00	237,334.19	1,221,230.68
Main Street	192,100.00	17,461.61	168,087.13
West End	25,000.00	20,356.81	152,727.97
Total	$10,013,041.68	$8,351,358.75	$47,614,582.52

city that had hoped for this honor.

The capital and total deposits of the banks of Richmond, shortly after the beginning of the present year, appear in the accompanying table.

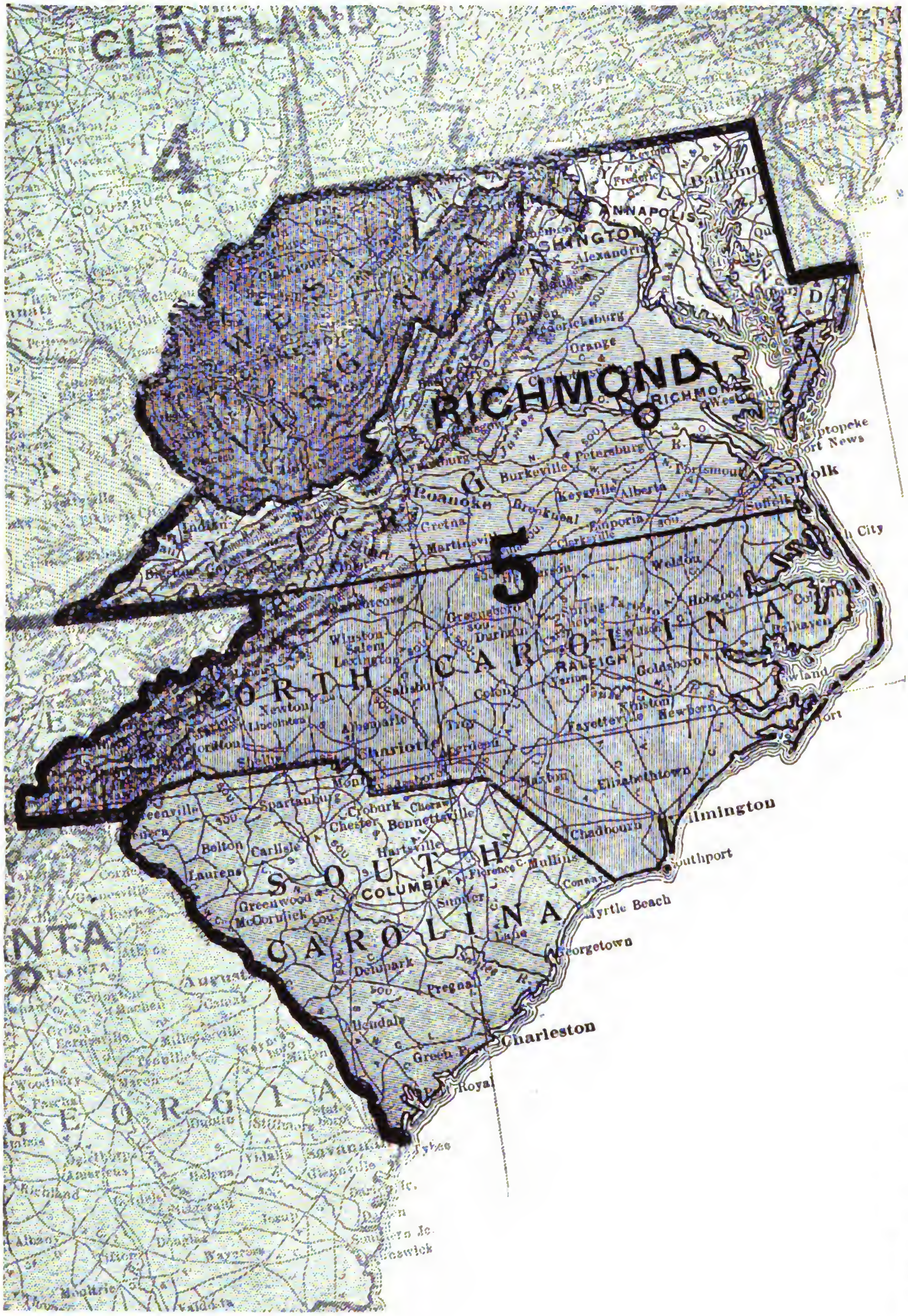
OTHER INDICATIONS OF PROSPERITY AND PROGRESS

BUILDING operations constitute a valuable indication of a city's growth. For the calendar year 1908 the value of new buildings in Richmond was reported at $3,169,431, and the figures have rapidly increased since that time, rising to $6,255,711 in 1912.

But all these statistics and other facts represent but the material side of the city. Supplementing all these advantages—or, rather, superior to them all—is the energy, the enterprise and the hospitality, of the people of Richmond. These qualities, and the respect for law and order derived from the character of the earliest settlers of Virginia and steadily maintained, have made the city what it is to-day—a splendid type of American municipal enterprise and progress.

VIRGINIA STATE LIBRARY

MUTUAL BUILDING, RICHMOND



FIFTH FEDERAL RESERVE DISTRICT

Summary of Richmond's Banking, Commerce and Industry

By OLIVER J. SANDS, President American National Bank, Richmond, Virginia

For this admirable condensation of the commercial, financial and industrial advantages of the Virginia capital, THE BANKERS MAGAZINE is indebted to Mr. Oliver J. Sands, president of the American National Bank, Richmond. It summarizes in an interesting and striking way much valuable information.—EDITOR BANKERS MAGAZINE.

TO the charms of an historical background, reaching to the beginnings of American colonization, and including active participation in two of the most stirring epochs of our history, Richmond adds the attractions of beauty of location, a delightful climate, a commanding geographical position, an alert citizenship and a commercial and financial prosperity and power which substantially witness the efficient carrying out of the main purpose of modern civilization—the opportunity of mental, moral and material advancement.

From a banking standpoint the city has recently received special and deserved recognition by being made the center of a Reserve District under the new banking law, and the point at which one of the twelve Federal Reserve Banks will be established—a distinction conferred upon only two other Southern cities, Atlanta and Dallas.*

This striking official tribute to the conservative energy of Richmond's bankers has served to call interested attention from all parts of the country to the remarkable development going on here in banking, manufacturing and commerce.

* Cordial acknowledgment is given to the statement made by a committee of Richmond bankers to the Reserve Board Organization Committee for much of the following information.

Around this beautiful historic city lies a region of fertility and natural wealth that can hardly be matched anywhere, and Richmond's growth represents an energetic, wise and efficient utilization of the advantages flowing from this fortunate situation.

It is a fact, certainly applicable to the Atlantic Coast States, that the trend of business, the course of commercial transactions, and the currents of exchange are northward; or, in other words, from the outside towards the centers of finance and manufacture. This is the natural course of exchanges.

It is believed that the operation of the Federal Reserve Act will revolutionize the existing method of using exchange in making settlements.

No act or rule will, however, reverse the natural course of settlements—where the money is due, there it must be paid.

Virginia, occupying the position of head of the Southern States, places Richmond in direct line with this natural trend on the principal avenues of travel and transportation.

The railway lines from the South come into Virginia as into a funnel, Richmond being at the apex—the one line of railway being the tube leading to Washington and points north. She is the natural converging point. The

THE AMERICAN NATIONAL BANK OF RICHMOND, VIRGINIA

overwhelming volume of travel and transportation must go through this point.

It is plainly contemplated in the act, and must so work out in its normal operation, that these Federal Banks will act not only as clearing-houses for members in their own zones, but between zones. The clearings between zones will develop into enormous proportions, and the bank most advantageously located for clearing the transactions of any large section of country will have a great service to perform.

Time and distance must necessarily be most important factors in determining the location and selection of the bank for such a purpose.

To best perform it, the means of communication must be superior. The bank should not only be readily accessible to members in its own district, but in the general line of trade and natural current of banking transactions of the entire section, so as to preserve the continuous trend towards the center of manufacture and finance where the greatest volume of settlements is made.

This essential principle is peculiarly applicable to the Atlantic Coast States, and can there be worked out to greater economic advantage than in any other part of the country.

A CHECK DESK OF RICH DESIGN IN THE MAIN BANKING ROOM OF THE AMERICAN NATIONAL BANK OF RICHMOND, VIRGINIA

It is axiomatic that quickness of communication is better assured by being on the lines of greatest frequency of travel, and all railroad schedules have been arranged with regard to the northward trend and with particular reference to the financial and business centers in line with that trend.

Therefore, to serve its own zone as a whole with the highest efficiency and economy, and at the same time to serve equally other zones in intimate relation with its own zone, a point midway along the line of quickest and most frequent communication offers the

Oliver J. Sands
PRESIDENT
THE AMERICAN NATIONAL BANK OF RICHMOND, VIRGINIA

ORNAMENTAL MARBLE DRINKING FOUNTAIN AND SEATS—LOCATED IN THE AMERICAN NATIONAL BANK OF RICHMOND, VIRGINIA. CLEVERLY CONCEALED IN THE SEAT TOPS ARE VENTILATING PIPES FOR ADMITTING PURE FRESH AIR AT ALL TIMES

ideal location, and Richmond surely occupies that position.

The following concise statement of facts will give some idea of the comparative commercial importance of Richmond, and of Virginia, with relation to this district, measured by capital, deposits and banking transactions:

Of the fifteen Atlantic Coast States, Virginia ranks fifth in national banking importance.

There are only three other States on this side of the Mississippi which exceed Virginia in national banking capital, i. e.: Illinois, Indiana and Ohio. Among the twenty-six States on this side of the Mississippi, Virginia, therefore, ranks eighth in importance in the present national banking system, measured by that standard.

She stands financially, as well as geographically, at the head of all the Southern States east of the Mississippi River.

Virginia leads by many millions the State next highest in rank among the Southern States east of the Mississippi River.

As to Richmond, the national bank deposits of Richmond are two-fifths of such deposits of the entire State, while her national banking capital is three-fifths of that of the State.

Her bank deposits have not been built up because of any inducements which other competing cities do not offer.

She is a natural Reserve City.

The law governing Virginia State banks requires no specified amount of liabilities to be kept either in vault or in other banks.

The business of Richmond has flowed to her from Virginia points and from Southern and Western States as a result of natural causes governed by the trend of business, the numerous and unexcelled means of communication as well as by the attraction of capital.

The industrial and commercial rela-

tions and needs of this section have developed these banking relations. The customary trend of business, free from all extraneous compelling influences, has developed these relations, and the established custom of keeping checking accounts has simply grown up as a natural result of every-day business transactions.

LOOKING TOWARD ENTRANCE
THE AMERICAN NATIONAL BANK OF RICHMOND, VIRGINIA

It is to be considered that the Federal Reserve Act will, with its new principles of credit and reserve, clearing and par of exchange, alter in a great measure the banking customs and practices which have grown up under old law, and may, and probably will, revolutionize some of the practices of banking.

The trend and flow of exchanges will be altered to the extent that they have become artificial, and to the extent that they have been influenced by the location of reserve centers, the requirements of keeping reserve accounts and the custom of sustaining balances in order to command credit. It is altogether probable that results in many cases will be of an astonishing nature.

It is one of the purposes of the act to promote free banking relations, and under free banking relations it is clearly a justifiable conclusion that the service Richmond will have to perform will be a greater one because of being a natural trade, transportation and banking center. The law of physics is the law of commerce—it will follow the lines of least resistance.

Richmond's banking relations with States south of her show the great intimacy of trade relations with these States.

Richmond's loans to other Southern States, and to individuals and corporations in the States of South Carolina and West Virginia, was a sum not far short of the aggregate borrowings and rediscounts on October 21, 1918, of national banks in any six Southern States excluding Texas. Richmond

lends practically all of this capital in the South outside of Virginia. She does not use it herself. She is a credit clearing-house.

To meet the demands for crops and other purposes, Richmond during 1918 shipped $14,000,000 in currency into this section.

In the volume of corporate capital, upon the income of which Virginia pays to the Government a tax, she ranks easily first among all the Southern States.

The amount Virginia pays to the support of the Government in internal revenue taxes is exceeded only by that of the State of North Carolina among all the Southern States.

The jobbing and the manufacturing business of Richmond is a further practical illustration that she is a trading and distributing center.

Dr. S. C. Mitchell, in his admirable paper read in Richmond, states:

"The diversity of interests in this region are as striking as its natural and economic unity.

"Perhaps in no other division of the United States will you find so great a variety of interests."

It is within little more than two decades that this region began its real recovery from utter prostration, and now its rate of progress exceeds that of any other portion of the country.

Mr. O. P. Austin, former Chief of the United States Bureau of Statistics, estimates the value of the merchandise annually handled in the district at $5,000,000,000, which is more than the entire ingoing and outgoing foreign commerce of the United States.

Four governments, or their chief tobacco interests, maintain the headquarters of their buyers, or handle their business, through Richmond.

Forty per cent. of the tobacco crop raised in Virginia, North Carolina and South Carolina in 1918 came directly to Richmond for rehandling and manufacturing, and Richmond banks supplied the tobacco trade of Richmond in exchange to the various tobacco markets, and paid out in Richmond in 1913, the enormous sum of $53,000,000, or eighty-eight per cent., of the total value of the crop in North Carolina, South Carolina and Virginia.

A considerable portion of this sum, however, was sent to Kentucky and West Virginia.

Of the total collections of internal revenue by the Government from tobacco in its various forms for the year 1912, twenty per cent. was collected from a territory within a radius of eight hours from Richmond.

As to diversity of crops of the district, in their effect upon the demands for credit and currency—Richmond being situated at the northern limit of the district, occupies this incontestible advantage as a Federal Reserve Bank location—the climatic differences of the Southern States in their effect upon crop development come in orderly rotation up to Virginia. The demands upon the Federal Reserve Bank of Richmond would be uniform and continuous.

The peak of the load would doubtless be in the fall, but that would be the case everywhere else, and it is the purpose of the new law to provide for it.

Further illustrating the diversity of crop and individual conditions in this district—the railroads serving it are at present among the most prosperous in the country—a fact probably due to the diversity of interests and the consequent absence of any general depression.

Added to her advantages for assembling and manufacturing the products of industry, her facilities for distribution heretofore described are positively unsurpassed by any other Southern city.

Here are some recent concrete instances:

One of the very large corporations of this country, with headquarters at St. Louis, has just selected Richmond as one of two depots on the Atlantic Seaboard most advantageously located for the storage and distribution of its products, New York being the other point.

LOOKING FROM THE ENTRANCE
THE AMERICAN NATIONAL BANK OF RICHMOND, VIRGINIA

Richmond is a reserve center of products.

In Virginia, out of a total of 437 banks, 404 voted for Richmond as first choice for the location of a Federal Reserve Bank.

In North Carolina, out of a total of 486 banks, 373 voted for Richmond as first choice and sixty-nine as second.

In South Carolina, out of a total of 405 banks, eighty-two voted for Richmond as first choice, and 122 as second choice, Columbia being, of course, first choice; only eighteen of the remaining banks in South Carolina voted, and these were scattered.

The capital and deposits of the South Carolina banks voting for Richmond were greater than those voting first for their own city—Columbia. So that out of a total of 1,328 banks in three States, of the number voting, 863 gave Richmond as first choice and 191 gave Richmond as second choice.

Eliminating Charlotte and Columbia, 1,052 banks out of a total of 1,328 in the three States regard Richmond as the proper location of their Federal Reserve Bank.

In West Virginia, in the southern half of the State, forty-nine banks have selected Richmond as first choice, and twenty-six as second choice.

Richmond has been designated as the preferred location by firms and individuals, outside of Richmond as follows:

Virginia	1,063
North Carolina	870
South Carolina	141
West Virginia	154

The interests of these States are too closely interwoven to be separated.

That the great mass of distinctly Southern products will be more intelligently understood and financed from a distinctly Southern city cannot be doubted. Not only is Richmond conveniently located for the prompt transmission of mails and expressage to the section in which this great mass of products originates, but the acquaintance of her people with the peculiar

products in question—tobacco, the cotton seed oil and meal and the sea island and upland cotton, their seasons of growth and preparation for market, all of these are better understood and the interests of their producers are better served from Richmond than Washington, which has no active business relation with the producing, manufacturing or commercial interests, or from Baltimore, which is still farther removed from the area of the chief production of these peculiar and distinctively "local" products.

Richmond's banking institutions have made phenomenal development in the past decade. Through consolidation and natural growth its banks now rank with the largest in the South.

Members of the American Bankers Association are to have an opportunity of witnessing the evidences of this remarkable progress when they assemble in the Virginia Capital in October for their fortieth annual convention, and those who attended the meeting in the same city in 1900 will be able to note the wonderful advance made in the last fourteen years. Perhaps in no direction has the city's growth been more astounding than in the swift and marked changes that have taken place in the architecture of the banks and commercial establishments. And not only has the size of the bank buildings tremendously increased, but as shown previously in this paper, the deposits, resources and exchanges of the banks have rapidly multiplied—all due to the marvelous productivity of the adjacent territory coupled with the enterprise and industry of the people, and without the slightest divergence from the line of prudence that has always marked the banking history of Richmond.

The American National Bank, Richmond, Virginia

THE American National Bank is one of the successful and progressive banking institutions of Richmond, organized in 1899 with an original capital of $200,000, which has been several times increased—to $300,000, $400,000, $600,000, and finally to the present figure, $1,000,000. This gradual rise of the capital represented the careful forethought of the management in providing for the growth of business and was, furthermore, an indication of a consistent policy of keeping the bank always in a strong position. An additional evidence of the progressive spirit of the American National Bank was afforded in 1903, when the present modern bank and office building was erected. In its construction, and in the equipment of the banking rooms, the most modern ideas are represented. All that the bank architect's skill can do in combining beauty, safety and convenience may be found in this structure. That the new building did not over-estimate the requirements was soon found out, for in 1909 the structure was enlarged to twice the original size, the height being increased by two stories.

GROWTH AND MANAGEMENT

NOT only has the bank increased its capital, as above stated, from $200,000 to $1,000,000, but the surplus and profits have grown from $114,719.53 in 1905 to $684,464.29, and the deposits have increased from $124,000 in 1900 to $5,426,618.53.

This growth has been due chiefly to the prosperity of Richmond and the

H. W. ROUNTREE
VICE-PRESIDENT

WM. C. CAMP
VICE-PRESIDENT

South generally, but no small share of it is attributable to the sound and alert character of the bank's management, headed by President Oliver J. Sands. From the accompanying brief sketch of Mr. Sands and his official associates it will be seen that they are men of wide experience in banking and general business and that they are well known in the community.

Oliver J. Sands, president, was born at Fairmont, W. Va., son of Jos. E. Sands, a prominent banker and pioneer in the development of the great coal industry of West Virginia.

Mr. Sands was early employed in banks of his home town, working in every capacity. He resigned the assistant cashiership of the First National Bank of Fairmont to become national bank examiner in 1896, and served in that capacity until 1899, when he organized the American National Bank of Richmond, and was elected president of this bank at its organization.

H. W. Rountree, vice-president, was born in Hanover county, Va., the son of John H. Rountree, a prosperous farmer of that county.

Mr. Rountree moved to Baltimore in 1868 and engaged in the manufacture of trunks and bags. He remained in Baltimore until 1876, when he came to Richmond and established the firm of H. W. Rountree & Brothers, trunk and bag manufacturers. Besides having a large interest in this business he is president of McGraw-Yarbrough Company, Rountree, Southerland, Cherry Corporation, of Richmond.

Mr. Rountree became affiliated with the American National Bank in 1902, when the Security Bank of Richmond was merged into the American. He, being a director in the Security Bank, continued in this position upon the

WALLER HOLLADAY
VICE-PRESIDENT

O. BAYLOR HILL
CASHIER

merger of the two institutions. At the death of Chas. E. Wingo, vice-president of the American National, on March 20, 1911, Mr. Rountree was elected to fill this vacancy.

Wm. C. Camp, vice-president, was born in Richmond, and has made this city his home all his life. He was early engaged in the box manufacturing establishment of his father, whom he succeeded in 1879, and continued in this business until 1899, when he was elected manager of the savings department of the American National Bank; several years later Mr. Camp was elected vice-president of the bank.

Waller Holladay, vice-president, is a native of Louisa county, Virginia. He began his business career in Richmond. In 1892 he entered the State Bank of Virginia as messenger, and after working through the various departments, resigned his position in 1900 to accept that of receiving teller of the American National Bank. In 1901 he was elected assistant cashier of this institution, holding this position until 1914, when he was elected a vice-president.

O. Baylor Hill, cashier, is a native of Richmond, and began his business career in this city as messenger for the Planters National Bank. He remained with this institution for twenty years, resigning the position of note and exchange teller to accept the assistant cashiership of the American National Bank in 1910, and was shortly afterwards elected cashier.

D. W. Durrett, assistant cashier, was born in Albemarle county, Virginia, and came to Richmond and in 1893 obtained a clerical position with the Security Bank of Richmond. He remained with this institution until 1902, when it was merged with the American National Bank, and accepted the position of receiving teller of this bank.

D. W. Durrett
ASSISTANT CASHIER

Bank as collection clerk and in 1914 was elected assistant cashier.

As will be seen from the foregoing, both Mr. Sands and Mr. Hill have been in banking for over twenty-five years, and on account of this long experience as well as because of their sound judgment and native ability, they are certainly well fitted for the responsible positions they occupy in the bank's management. The entire official staff, and the employees likewise, are imbued with the spirit of efficient banking service—the foundation upon which the bank's prosperity has been reared.

The directors of the American National Bank keep a careful watch over the bank's affairs. They are keenly alive to its progress and are deeply interested in the prosperity of the city and surrounding territory. An important part of the bank's service has consisted in gathering and disseminating information for the public benefit, better farming methods being given

Since that time he has filled the positions of paying teller, manager of the transit department and assistant cashier.

Stafford H. Parker, assistant cashier, has always made his home in Richmond, and commenced business as bookkeeper in the Metropolitan Bank. He stayed with this bank until 1903, when he accepted the position of individual bookkeeper in the American National, working up through the several departments until he now holds the position of assistant cashier.

G. A. Peple, assistant cashier, was born in Richmond, and commenced business in the freight department of the Atlantic Coast Line Railway, remaining with this company for several years. When the Bank of Manchester was opened in 1902 he went with this institution as bookkeeper, remaining with this bank about one year. He resigned this position to come with the American National

Stafford H. Parker
ASSISTANT CASHIER

especial attention. The bank's officers and directors look to the development of the farm lands of the South as a most reliable basis of prosperity.

These gentlemen constitute the board: Wm. C. Camp, G. C. Dula, Jas. R. Gordon, Edgar G. Gunn, R. H. Harwood, Waller Holladay, Luther H. Jenkins, Junius B. Mosby, W. J. Parrish, M. C. Patterson, H. W. Rountree, Oliver J. Sands, J. O. Scott, Emmett Seaton, T. Garnett Tabb, and Chas. E. Whitlock.

HAVING directors and officers of experience and proved skill; with a record of steady and rapid growth; possessing a modern building, thoroughly equipped, and with facilities embracing the usual lines of commercial banking, savings, trust, foreign exchange and safe deposit, the American National Bank of Richmond ranks among the Southern banks whose continued prosperity may be safely predicated.

G. A. Peple
ASSISTANT CASHIER

The Banker and the Farmer

WESTERN banks are not monopolizing the good work being done in this country in behalf of better farming methods, more economical means of distributing farm products, and in bringing the banks and the farms into closer relations with each other. Naturally, the Western banks have had a very large share in this movement and properly so for agriculture constitutes the chief industry of that section of the country. But it is a very important industry in all parts of the country.

One of the Eastern banks that have led in this movement is the Corn Exchange National Bank of Philadelphia, whose energetic president, Mr. Charles S. Calwell, has labored indefatigably to arouse enthusiasm among the bankers and farmers and to enlist their coöperation. That his work has been exceptionally fruitful may be learned from a study of the "Proceedings of the Agricultural Conference and Corn Show," giving an account of the meeting held by the Corn Exchange National Bank, Philadelphia, in December of last year.

The Proceedings make up a book of 269 pages, containing a number of excellent papers and discussions by bankers, professors in agricultural colleges, experts in transportation, marketing, etc.

Conferences of this character are bound to have a widely beneficial effect in disseminating better ideas in regard to the production and distribution of farm crops, to make life on the farm more attractive, and to establish closer identity of interest between those who dwell in the cities and those who live in the country.

FIRST NATIONAL BANK, RICHMOND, VA.

METROPOLITAN APPEARANCE OF RICHMOND'S SKY-LINE

The First National Bank of Richmond

ENJOYING the honor of being the oldest bank in Richmond, and occupying a structure of commanding dimensions, the First National Bank of Richmond ranks with the prominent financial institutions, not only of its city and State, but of the entire South as well. It was organized April 17, 1865, just after the evacuation of the city by the Confederate forces. From this beginning the bank has steadily progressed to its present position, and has constantly withstood the assaults of time, depression, business inactivity and financial panics—a tower of strength in the community.

Its first home was a single room in what was then known as the old Custom House. This arrangement, however, was only temporary, and in a few months it moved to a modest building on one of the principal streets. In 1867 the First National Bank consolidated with the National Exchange Bank and moved to the offices of the latter, located at 1104 East Main street. This building was burned during the evacuation of Richmond and completely destroyed except its front walls, which were supported by immense granite monoliths. These quarters were reconstructed and occupied from 1867 until September 1, 1912. At this latter date the consolidation of the First National Bank and the National Bank of Virginia took place, forming what was, at that time, the largest bank between Philadelphia and New Orleans. At the time of this consolidation the bank moved its quarters into that of the National Bank of Virginia temporarily until the completion of its new building at Ninth and Main streets. These new quarters were occupied on June 10, 1913.

The original capital of the First National Bank was only $100.000, but this amount has been increased as the

COL. JOHN B. PURCELL, PRESIDENT,

FIRST NATIONAL BANK, RICHMOND, VA.

COLONEL PURCELL graduated from the Virginia Military Institute at Lexington, Va., in 1868, having before his graduation served for a while in the Army of the Confederacy. Shortly after his graduation he entered the wholesale drug house of Purcell, Ladd & Co., of Richmond, Va., of which his father was the senior member. At the death of his father, he took charge of the business. He became a director in the First National Bank of Richmond about 1885, and in 1895 was elected its vice-president. At the death of Mr. Virginius Newton, the president of the bank, in 1904, Colonel Purcell was elected president, which position he has held ever since. Colonel Purcell is a member of the several social clubs of Richmond. He and his family are prominent in social circles, and Colonel Purcell throughout his business career has been most active in every move for the benefit and upbuilding of Richmond and the section adjacent thereto. For several years he was president of the Richmond Chamber of Commerce, and at present is president of the Richmond Clearing House Association.

THE LOBBY LOOKING TOWARD REAR
FIRST NATIONAL BANK, RICHMOND, VA.

needs of the community required. At the time of the consolidation with the National Bank of Virginia the capital stock was fixed at $2,000,000 and the surplus fund at $1,000,000.

The First National Bank is strictly a commercial institution and uses its funds to foster worthy enterprises throughout the entire South. It has been capably and well managed during its entire career, as proven by its healthy and steady growth. The directorate consists of representative business men of Richmond—men who have made a success in their private enterprises and have always stood well in the community, both socially and financially. They represent practically all lines of trade.

Its officers are men who are widely known and universally respected. They are: President, John B. Purcell; vice-president, John M. Miller, Jr.; cashier, W. M. Addison; assistant cashiers, Chas. R. Burnett, W. P. Shelton, Alex. F. Ryland, J. C. Joplin, O. S. Merton, and John Tyler; auditor, James M. Ball, Jr.

POSITION REACHED BY THE BANK

THAT the First National Bank has been eminently successful may be inferred from an inspection of any of its recent balance-sheets. That of June 30, 1914, for instance, showed a footing of nearly $20,000,000 ($19,122,798.64). The capital is $2,000,000; surplus fund, $1,000,000; undivided profits, $99,360; deposits, $18,052,329.

A further evidence—and a very striking one, too—of the bank's standing at the present time, and of its really remarkable growth, appears in its magnificent new building, illustrated and described herein.

JOHN M. MILLER, JR., VICE-PRESIDENT
FIRST NATIONAL BANK, RICHMOND, VA.

MR. MILLER entered the banking business in 1883 in Lynchburg, Virginia. In 1890 he became cashier of the First National Bank of Buchanan, Va., and in 1893 he became national bank examiner for Virginia, West Virginia, North Carolina, South Carolina and East Tennessee. In 1895 he resigned as national bank examiner to become cashier of the Merchants and Farmers National Bank, Charlotte, N. C., holding this position until 1902, when he resigned to become cashier of the First National Bank of Richmond. He was elected vice-president and cashier of the First National Bank of Richmond in 1904. Upon the consolidation of the National Bank of Virginia and the First National Bank, in 1912, he became vice-president of the consolidated bank, now the First National. Mr. Miller is a member of several social clubs, vice-president of the Virginia Trust Company, a director in several cotton mills, director in a wholesale dry goods house, and director in the Life Insurance Company of Virginia.

ENTRANCE TO OFFICES OF PRESIDENT AND VICE-PRESIDENT
FIRST NATIONAL BANK, RICHMOND, VA.

WHEN the First National Bank of Richmond decided that a new home had become a necessity the subject was approached in a most systematic way, with the result that the completed building has fully justified the expectations.

Fortunately, circumstances permitted the adoption of a plan, for constructing an appropriate home for the bank and providing headquarters for the Chesapeake & Ohio Railroad and the Richmond, Fredericksburg & Potomac Railroad, both located in Richmond. A joint building committee passed on all details, and their labors have resulted in a building admirably adapted to the requirements of each corporation.

The building committee determined that nineteen high office floors in addition to the bank and the two basements would provide the accommodations required. The new structure has

W. M. ADDISON, CASHIER
FIRST NATIONAL BANK, RICHMOND, VA.

A NATIVE of Richmond, Mr. Addison has always lived in that city. His banking career began some twenty years ago in a clerical capacity with the Citizens Bank of Richmond. This institution was later reorganized and operated as the Citizens Exchange Bank. It was consolidated in August, 1899, with the National Bank of Virginia, of which Mr. Addison was made paying teller. On August 31, 1901, he was elected cashier and continued to hold that position until the consolidation of the National Bank of Virginia with the First National Bank, September 1, 1912, at which time he was elected cashier of the First National Bank, continuing to hold that office at present. Mr. Addison has taken an active share in three bank consolidations. He is a director of the Old Dominion Trust Company, the Richmond Stove Company and of several other enterprises.

a dignified distinctiveness and is the tallest building in the city—and for that matter the tallest in Virginia or any of the adjoining States.

NOVEL FEATURES OF THE BUILDING

As a whole, the structure has many novel features; for instance, there is a second complete fireproof building inside the outer walls, and in which there is not an atom of combustible material. This inner building contains six of the latest type, 600 feet per minute, Otis elevators, two staircases, and toilet accommodations, ana an attendant corridor. Should a conflagration, by any accident, start in one of the offices, all that the inmates need do would be to walk out to the corridor into perfect safety. This absolute protection to the vitals of the building. the elevators and stairs, is unique.

Great elasticity for future requirements and changes in the use of various parts of the building have been carefully provided for, particularly as to the lighting, heating, and the mechanical equipment throughout.

All pipes and electric conduits have been especially protected against the damaging influences which are the usual causes of annoyance in the maintenance of a tall building.

Externally the building has four stories of limestone, a granite base with bronze and iron trimmings, a hydraulic pressed brick shaft, and it is crowned with a terra cotta arcade, and the boldly projecting copper cornice.

Internally, fireproof construction was adhered to, steel with burnt terra cotta and concrete constituted the skeleton for the floors, burnt terra cotta and hard plaster for the partitions, with metal doors and windows. etc., filled with wired glass, occupying all advantageous positions, and the offices throughout were trimmed with mahogany.

All public halls have terrazo and marble floors, with a suitable marble base, together with provision for the carrying of electric conduits and telephone wires to any possible point.

THE BANKING ROOMS

THE bank occupies the entire first floor (exclusive of the entrance elevator corridor), the first basement, the large mezzazine floor, and half of the second floor. Two of the largest-sized revolving doors occupy the two entrances to the banking space, providing access from the street to the main banking lobby, and an imposing double bronze door permits entrance from the elevator lobby.

Both entrance doors are very handsomely carved, with limestone on the outside, and marble on the inside, and are faced at the opposite end of the bank lobby by another handsome marble doorway, surmounted by a clock, electrically controlled.

The main banking lobby, which is twenty feet wide, extends directly before you, immediately as you enter, and to the left are private rooms, for the president, vice-president and the general officers' quarters. A large savings department occupies the corresponding space on the right. From this on, extending all around the lobby, are the various cages, including seven receiving teller wickets, with the accompanying paying tellers, individual bookkeepers, loans, notes, collaterals, etc., and the assistant cashiers, whose duties affect the public, are provided with spaces along the counter.

All the general bookkeepers and mailing departments are located on the mezzanine and second floors, and they are connected with the main floor by a small double elevator and a private staircase.

The banking room proper is twenty-five feet clear in height, and with a vaulted ceiling. Windows fourteen

feet wide extend from about three feet six inches above the floor to the ceiling, providing an abundance of light, and are draped with soft repp curtains, sufficient to stop the glare of the sun, but at the same time to allow ample light for general purposes.

Ventilation, both natural and artificial, has been provided for, so that creams, yellows and browns, produced by a banking screen of Botticino marble, surmounted by a severe grille finished in statuary bronze, and the walls up to the ceiling are treated to represent Caen stone, relieved by subdued stencil bands in varying shades of brown, with ceiling similarly treated.

The floor of the public lobby is of large blocks of Tennessee marble, and

OFFICE OF CASHIER AND ASSISTANTS
FIRST NATIONAL BANK, RICHMOND, VA.

either or both can be employed, as the occasion demands, and the front of the mezzanine floor has been cut off with a glass screen, to overcome the ventilation troubles that always occur where this is left open.

Complete toilet accommodations, including a rest room for the stenographers and a special room for the officers, are provided on the main banking floor, and all other floors have equally thorough provision in this way.

A soft mono-chrome color scheme has been employed, based on light

the columns supporting the ceiling are of marble to their full height, and so situated along the counter line that they do not impede either the public lobby or the working space.

Handsome semi-indirect electric lighting fixtures form an important element in the scheme of decoration, and throughout the ornamental features consist of necessities artistically, though practically, treated.

In laying out the furniture and counter work one of the architect's representatives spent several days talking with each employee of the

bank who was individually affected and any of the advantageous ideas suggested were incorporated in the plan.

Each officer had a special desk made to his individual requirements and all the busses and trucks were designed for their individual purpose. The two massive glass check desks standing in the center of the public lobby have glass tops one and one-quarter inches thick, and are the largest individual pieces of glass of this thickness and kind ever used in America, and special machinery had to be prepared to handle them.

In the paying and receiving tellers' cages, or where valuable materials and documents are handled and more than one man is employed, a folding screen was devised, so that each man can shut his cage and be entirely responsible for his own affairs.

THE VAULTS AND SAFE DEPOSIT DEPARTMENT

THE stronghold of the bank, its vaults and safe deposit department, are situated in the basement. This is approached through a handsome bronze and marble staircase starting from the center of the public lobby above.

A private hydraulic elevator connects the two floors for the transportation of books and money from the banking floor to the basement and lands directly in front of the vault door at the lower level and immediately behind the tellers' cages above. The inclination of the side street gives the basement full-length windows and consequent daylight and natural ventilation. Advantage of this was taken to place the directors' room on the level below the banking floor. This is a handsomely finished room, panelled with walnut up to the ceiling, and the mantel is formed out of a beautiful piece of green figured marble. Portraits of the past presidents are hung around the walls. Connected with this room is a completely fitted toilet room, including shower baths, etc., for the use of the officers or directors.

The two approaches to the vault, the one down stairs from the banking room and the other from the main elevator lobby—for all of the six elevators come down to this floor—are protected by massive steel grilles, and the two huge circular vault doors of the vault itself can be seen through these. The vault is entirely free and is open for inspection on all sides, and has a space below it which is accessible either day or night. The bank floor above forms the top of it. It is carried quite independent of everything else in the building and stands in special supports provided for that purpose, and should the entire building collapse this would remain intact. A special employee has his desk against the gate in the protecting grille and no one can enter or leave this department without passing him.

This self-contained department includes the bank's vault and the safe-deposit vault adjoining, special storage space for silver and other valuables, a book vault, safe-deposit booths, three committee rooms for the use of customers, special retiring room for both males and females, with suitable toilet accommodations, and a large uninterrupted day-lit working space which can be used for bookkeepers or as a general meeting room as occasion may demand.

The vaults for the bank and safe-deposit department adjoin, with steel partition between them, and have an internal dimension of twenty-four feet by sixteen feet and eight feet high, and weigh 225 tons of steel alone. Each section has a tremendous circular door measuring eight feet across and twenty-one inches from front to back, and each weighs twenty-eight tons, including its vestibules. Each has a four-movement time lock, three and one-half-inch bolt work and all the latest devices for protection and security.

OFFICE OF VICE-PRESIDENT
FIRST NATIONAL BANK, RICHMOND, VA.

This repository for moneys and securities has been treated in such a way as to make it unquestionably the best possible protection, not only against fire and burglars, but also mob violence, reaching the acme of perfection in every particular. It is no doubt the most important feature of the bank's new home and is a magnificent piece of workmanship. In the partition between the bank and the safe-deposit sections is a steel door that can be unlocked from either side, but on the safe-deposit side it is protected by a nest of boxes, which are constructed on rollers and can be drawn aside. With this protected connecting door and the two large circular entrance doors, it is impossible to get a lock out, and avoids the disadvantage of having a small emergency door, which so often is a point of weakness in a vault of this type.

The vault walls themselves are made of many layers; first one of polished steel one-half inch thick, which forms the inner lining. Behind this is a two and one-half inch layer of laminated, undrillable, burglar-proof steel, of alternate layers of chrome bessemer. Backing this is fifteen inches of stone concrete, in which is bedded a continuous cage of steel bars, connected with laterals, which are continuous all around, and on the top and bottom of the vault. Beyond this again, and forming the outer surface, is a one-half inch plate of burnished steel. The two exposed layers were specially nickel plated to prevent rusting, and from every point of view the vault gives the impression of being solid steel throughout.

For flooring an exceedingly hard tile was selected and a marble sanitary cove base extends all around the bases of the interior, so that the floor can be washed without rusting the steel.

Provision is made for five thousand safe deposit boxes of various sizes.

Every convenience, both for comfort and security, for the uses of this department, has been considered. The booths, which have both daylight and electric light, are perfectly ventilated, and are enameled in white throughout,

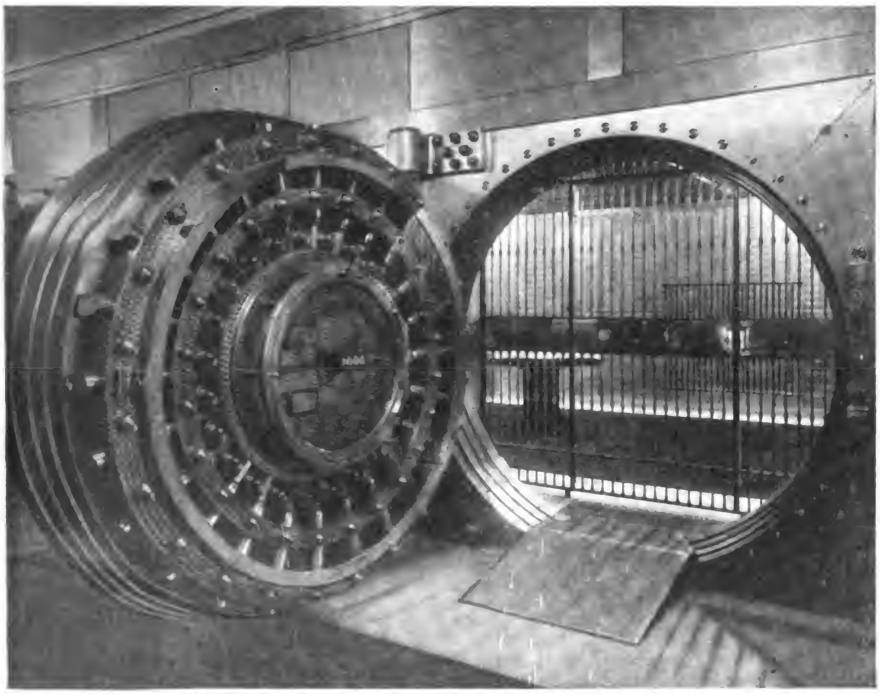
so that the slightest article either left behind or dropped upon the floor would be instantly seen.

Further, it is impossible to enter without the custodian's key, and immediately the booth is vacated it automatically locks itself, and should any paper accidentally be left behind, it is certain to be found by the custodian when he opens the door, before any one else can again occupy this booth.

The three committee rooms, as well as the booths, will prove exceedingly useful, as they also are in immediate proximity to the vault and inside the protection of the steel grills mentioned before; for large committees the directors' room of the bank was located immediately adjoining the entrance, so that ready access to this would also exist, and effort is made on the part of the bank to encourage its customers to meet in the rooms provided for that purpose.

In the bank's own section of the vault a further division is made by means of a second steel grille, with a day gate and bell, in addition to the one that stands behind the vault door itself. The inner section of this is given up to money-chests and lock-ups, all burglar proof in themselves, and in the outer section a space is left for the fireproof collateral bus, which is taken from the vault every morning and placed within an especially made desk fitted with a locking roller shutter standing behind the assistant cashier, who has charge of this section of the bank's business.

The entrance to the silver vault and the book vault is through the one heavy square burglar-proof vault door, which leads into the steel grille vestibule, with a storage vault on one side and the book vault on the other. This vault also has a steel lining and concrete, with protection bars.



ENTRANCE TO SAFE DEPOSIT VAULT
FIRST NATIONAL BANK, RICHMOND, VA.

The Merchants National Bank, Richmond, Virginia

MERCHANTS NATIONAL BANK BUILDING, RICHMOND

JOHN F. BRANCH
President

JOHN KERR BRANCH
Vice-President

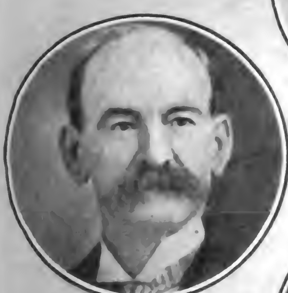
THOS. B. McADAMS
V.-Pres. & Cashier

JOHN F. GLENN
Vice-President

GEO. H. KEESEE
Assistant Cashier

A. C. BAYLIS
Assistant Cashier

W. F. AUGUSTINE
Assistant Cashier



J. R. PERDUE
Assistant Cashier

O. JETER JONES
Assistant Cashier

JNO. C. WHITE
Asst. Cashier

OFFICERS MERCHANTS NATIONAL BANK, RICHMOND

MAIN BANKING ROOM, MERCHANTS NATIONAL BANK, RICHMOND

THIS bank, although formally established in 1871, was an outgrowth from the firm of Thomas Branch & Company, of Richmond, Va., established in 1867, which banking firm, in turn, was the successor of Thomas Branch & Sons of Petersburg, Va., established in 1838 by the first president of the Merchants National Bank, Thomas Branch, a native of Petersburg, Va., and father of the present president.

As the financial ability prominent in the success of the Merchants National Bank is virtually the same as that which was so largely instrumental in the control of the affairs and progress of the parent institutions, the Merchants National Bank may be looked upon as having a history extending over three-quarters of a century.

The steady progress of this institution from its beginning expressed and emphasized the genius of its first president for banking, and stood, at his death, an eloquent commentary upon the fact that he had selected a vocational field in which he was admirably qualified to succeed, and destined to leave to his successors a fitting monument to his ability.

Happily, he left to his son, John P. Branch, who, upon the death of his father, was elected to the presidency of the bank, the rich hereditary legacy of extraordinary wisdom in all affairs of business. The qualities that marked the former as one of the ablest financiers in a broad community have also characterized the business life of the present president.

Out of the latter's sound judgment of men and a quick, incisive knowledge of particular qualifications, arose a staff of able officers, from the vice-presidents down, among whom he could gradually distribute his great responsibility, and who have steadily added, through popularity, hard work and personality, to the rapidly growing services of the bank.

It is but just to state that the bank

MERCHANTS NATIONAL BANK, RICHMOND—PORTION OF OFFICERS QUARTERS

PRESIDENT'S ROOM, MERCHANTS NATIONAL BANK, RICHMOND

has been fortunate in the selection of its present cashier, Thomas Branch McAdams, a grandnephew of the president, who not only enjoys a wide popularity in his business relations, on personal grounds of good fellowship and adaptability, but who brings to the conduct of his work a natural banking ability to which he is justly heir.

Through clear foresight, prompt action and able management this institution has weathered the worst financial storms in our national history, and finds itself in the present circumstances of a general European war and consequent financial and trade depression in this country, better able to safely care for the interests of its patrons than ever before during its long life.

The Merchants National Bank has not only kept fully abreast of Southern progress, in which it has taken a prominent part, but seeing from time to time the growing necessity for development along new lines of banking, has projected its services into other fields, and led its increasing patronage into greater safety and protection and habits of growing thrift.

An example of its broad initiative in this respect was the establishment in 1904 of its savings department, into which it has so thoroughly thrown its energies that to-day it has over 6,000 savings accounts, and the very numerical increase seems to add impetus to the growth.

This bank was among the first in the South to form a foreign connection, creating such relation with the British Linen Bank, London.

It enjoys the distinction of being a Roll of Honor bank, standing first in Richmond and Virginia, second in the South, and twelfth in the entire United States.

Its services to the public cover all phases of banking; and it has for years made a specialty of handling the accounts of out-of-town banks. This gives unexcelled collection facilities throughout the Virginias, Carolinas, Kentucky and Tennessee, putting it in direct communication with over 750 banks in these States.

A casual review by ten-year periods of its growth since 1885 in loans, surplus and undivided profits and deposits will show at a glance the marked individual and collective ability behind this institution. The figures are appended, with percentages of increase over preceding periods. The last period is taken for eight and a half years.

	December, 1885	December, 1895	P. C. Inc.	December, 1905	P. C. Inc.	June, 1914	P. C. Inc.
Loans	$629,000	$853,000	35.6	$2,214,000	159.5	$5,411,000	144.4
Sur. & undiv. prof.	108,000	262,000	142.6	739,000	182	1,230,000	66.4
Deposits	905,000	1,316,000	45.4	4,207,000	219.6	7,351,000	74.7

The strength of the bank has a powerful focal reflection in the market value of its stock, which is about $1,000 per share.

Three underlying governing principles are to be noted in the life of this bank—capital kept the same as at its establishment; enormous growth in deposits, and its policy of conservatism carried consistently through the building up of its surplus, which has been accumulated solely out of profits, until the two now stand eleven times as large as in 1885.

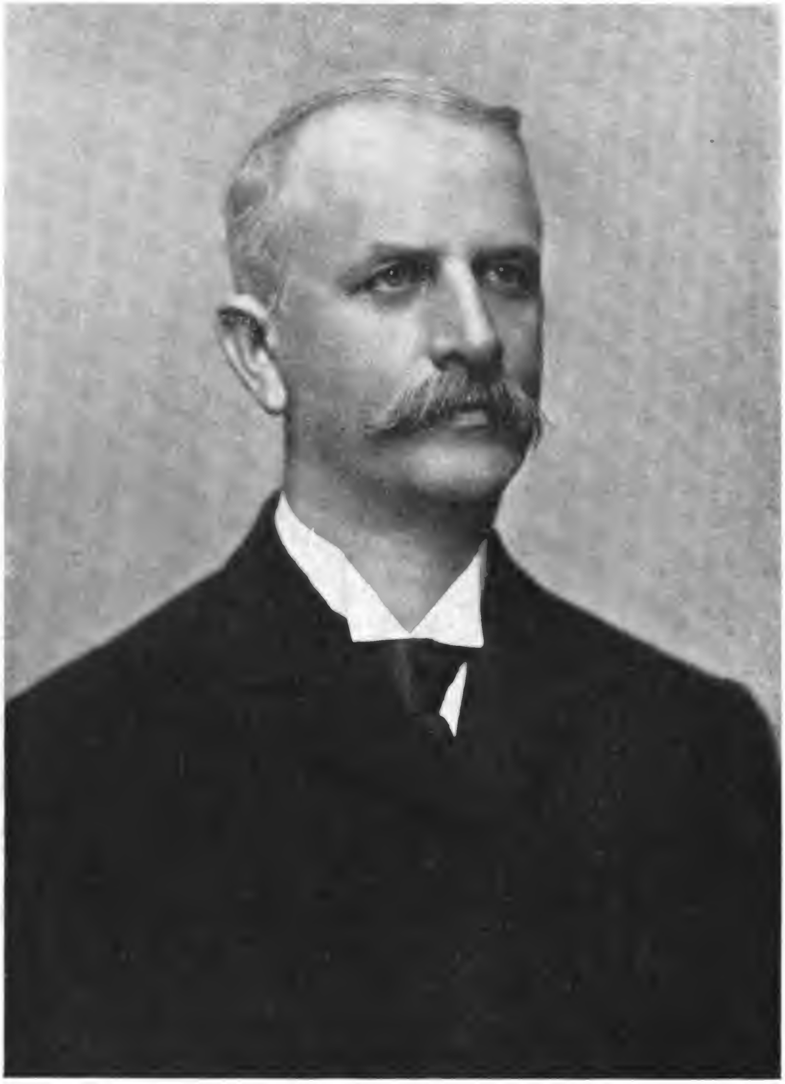
In conclusion, attention may be called to the increasing activity of the Richmond banks in all matters leading to financial and industrial betterment of the South, and in particular to the work of this bank toward the selection of Richmond for the Fifth Regional Reserve Bank, in which work John Kerr Branch as chairman of the executive committee, by his personality and indefatigable effort, rendered most valuable service.

Not only the South, but the whole country has reason to be proud of such an institution with such a record.

Planters National Bank, Richmond, Va.

PLANTERS NATIONAL BANK, RICHMOND

GROWTH based upon sound and efficient banking is the record maintained by this institution, which is now nearing its fifty years of existence. It was established in 1865, and during its long and successful career has held fast to the traditions of pure commercial banking, never dealing in stocks or bonds. By consistently following this policy, the Planters National Bank has been able to take good care of its customers at all times, regardless of whether the financial skies were clear or not. It has, therefore, been possible for the bank to keep its old friends and



JAMES N. BOYD
PRESIDENT PLANTERS NATIONAL BANK, RICHMOND, VA.

patrons and to gain many new ones.

When the Planters National Bank was founded, December 8, 1865, the South was prostrate under the burden of a long and devastating war which had been concluded only a short time before, and naturally under these unfavorable conditions it took a long time for the bank to get fairly going and to make any substantial gains in its business.

Originally the capital was $200,000, but within a few years this was increased to $300,000. Progress for some time continued at a slow rate, for the unpropitious conditions due to the war were made worse by the periodic panics that afflicted the country from time to time, damaging the banks and all other business. But the Planters National Bank was established on a sound basis, and not only weathered

RICHARD H. SMITH

VICE-PRESIDENT AND CASHIER PLANTERS NATIONAL BANK, RICHMOND, VA.

all the storms, but rendered effective service to the business community in these trying times.

When in the late nineties business throughout the South showed a decidedly upward turn, the Planters National Bank began to grow at a lively rate. In the last fifteen years the deposits of the bank have gained nearly 400 per cent., and its surplus and profits have more than doubled. In July, 1898, the surplus and profits were $707,445.28, and in June, 1914, $1,513,368.87. This increase, of course, represents more than a mere gain in business. It shows that the management of the bank had in mind the principle of safety, manifested by thus laying aside a large portion of the earnings as a fund for the better protection of its depositors.

A better idea of the bank's growth

R. Latimer Gordon
ASSISTANT CASHIER PLANTERS NATIONAL BANK, RICHMOND, VA.

Conway H. Gordon
ASSISTANT CASHIER PLANTERS NATIONAL BANK, RICHMOND, VA.

BANKING ROOM
PLANTERS NATIONAL BANK, RICHMOND

may be had from the accompanying table, showing the capital, surplus and profits, deposits and total resources for the years named.

	Capital, Surplus and Profits	Deposits	Total Resources
1904	$1,172,504	$3,365,840	$5,254,047
1909	1,494,538	4,430,058	7,166,680
1914	1,813,363	6,120,877	8,664,491

It will be seen that this institution has the prestige of a long and successful history, and besides its growth in recent years indicates that the bank is adequately meeting the exacting requirements of present-day banking.

The bank is fortunate in its management, those in charge representing a wisely-progressive policy.

James N. Boyd is the seventh president of the bank, and was elected to that position on March 16, 1896. Mr. Boyd is a leaf tobacco dealer, having followed that business from his youth. He is well known to the tobacco trade, not only of this country, but of the world, and he has been very successful. He is known as a most conservative man in all of his dealings, and ranks as one of the most substantial men of Richmond.

Richard H. Smith entered the Planters National Bank in 1884 as discount clerk. On April 15, 1892, he was elected cashier, being the fifth to hold that office. Mr. Smith served in this capacity during two panics. Having served for more than twenty years as an officer of the bank, he has seen reverses and success; the former being only temporary, while the success, as shown by the figures, has completely overshadowed the reverses. On January 10, 1911, Mr. Smith was elected vice-president and cashier.

R. Latimer Gordon and Conway H. Gordon were elected assistant cashiers in 1908. Both are admirably qualified for their responsible positions.

The Union Bank of Richmond

SAFETY has been the prime consideration with this institution during its more than forty-eight years of banking service, and in this time the public confidence has been gained and steadily kept, despite all the severe financial storms that have swept over the country since the bank was established in the spring of 1866. Under the able and conservative management of its officers and directors the Union Bank has accumulated assets running into the millions and has set aside for further safety, a surplus fund of $550,000, or more than double the capital, so that the bank has a valid claim to being one of the oldest, strongest and safest savings banks of the South. . A most gratifying indication of the bank's prosperity is found in the fact that its stock, of the par value of $50, is selling for $350—equivalent to $700 on each hundred of par value.

COLONEL WILLIAM H. PALMER
PRESIDENT NATIONAL STATE AND CITY BANK, RICHMOND, VA.

COLONEL JOHN S. ELLETT
VICE-PRESIDENT NATIONAL STATE AND CITY BANK, RICHMOND, VA.

National State and City Bank, Richmond, Va.

WHILE a great deal might be said of this institution—its large resources, abundant capital, strong personnel and adequate equipment for banking service, it has been decided to permit the illustrations presented herewith to give a hint of the bank's progress.

To visiting bankers, the National State and City Bank extends the assurance of a warm welcome.

WILLIAM M. HILL
VICE-PRESIDENT NATIONAL STATE AND CITY BANK, RICHMOND. VA.

James W. Sinton
VICE-PRESIDENT NATIONAL STATE AND CITY BANK, RICHMOND, VA.

Julien H. Hill
CASHIER NATIONAL STATE AND CITY BANK, RICHMOND, VA.

WRITING ROOM FOR LADIES, NATIONAL STATE AND CITY BANK, RICHMOND, VA.

A VIEW IN THE MAIN BANKING ROOM, NATIONAL STATE AND CITY BANK, RICHMOND, VA.

CASHIER'S OFFICE, NATIONAL STATE AND CITY BANK, RICHMOND, VA.

Norfolk

The Central Commercial Point of the Great Tidewater Section

AS the center of the great and fertile Tidewater section of Virginia, Norfolk is one of the important cities of the Atlantic seaboard. It possesses superior harbor facilities for sea-going commerce, excellent railroad connections and is located in one of the most prosperous agricultural

MAIN STREET—SHOWING THE NORFOLK NATIONAL BANK AND NATIONAL BANK OF COMMERCE

NORFOLK NATIONAL BANK

NORFOLK & WESTERN TERMINAL, LAMBERT'S POINT—LARGEST COAL PIER IN THE WORLD

communities of the entire country. Famous seashore resorts, comfortable in both summer and winter, add to the attractiveness of this favored region. The great underlying foundation for Norfolk's real wealth and prosperity, and the chief factor in the city's development and growth is the trucking and agricultural interest in the adjoining territory for which Nor-

THE BANKS OF NORFOLK

(Statement compiled January 14, 1914. Reports to State Corporation Commission.)

Name	Capital	Surplus and Profits	Deposits
National Bank of Commerce..........	$1,000,000.00	$890,963.79	$4,140,582.33
Citizens Bank	600,000.00	533,876.73	2,811,445.62
Norfolk National Bank..............	1,000,000.00	787,607.69	2,884,941.32
Norfolk Bank for Savings and Trusts..	100,000.00	302,625.00	1,642,998.18
Merchants and Mechanics Bank........	25,000.00	182,768.32	1,474,752.39
Virginia National Bank	500,000.00	113,434.53	1,113,521.87
Marine Bank	110,000.00	218,509.99	703,649.48
Merchants and Planters Bank.........	50,000.00	119,618.70	675,486.23
Seaboard National Bank	200,000.00	59,075.93	638,130.42
Bank of Norfolk	100,000.00	33,421.73	481,147.98
Mercantile Bank	100,000.00	13,061.72	86,524.81
Peoples Bank and Trust Company.....	50,000.00	24,687.46	238,891.65
Totals	$3,870,600.00	$3,295,686.65	$17,098,905.37

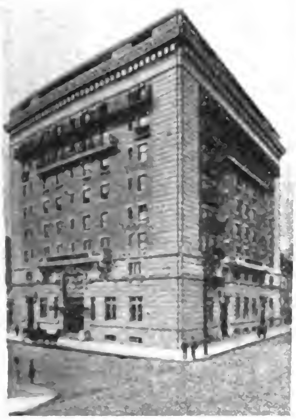
BANKING PROGRESS FOR NINE YEARS

Year	Clearings	Deposits	Capital and Surplus
1905	$103,888,208.00	$13,628,142.00	....
1906	124,553,531.00	17,207,528.00	....
1907	138,032,419.00	15,826,447.00	....
1908	111,078,245.00	16,879,731.00	....
1909	127,253,763.00	17,950,850.00	$5,980,477.00
1910	158,618,952.00	18,613,592.00	6,175,591.00
1911	168,007,587.00	20,670,696.00	6,362,876.00
1912	189,997,676.00	22,969,991.14	6,647,333.00
1913	221,820,505.00	22,179,826.24	6,499,010.29

SKY-LINE FROM THE INNER HARBOR

SECTION OF THE HOTEL, OFFICE BUILDING AND BUSINESS DISTRICT OF NORFOLK

VIEW OF THE COUNTRY CLUB FROM THE RIVER



LYNNHAVEN HOTEL

VIRGINIA CLUB

LORAINE HOTEL

HOTEL FAIRFAX

HOTEL MONTICELLO

BOROUGH CLUB, NORFOLK, VA.

C. & O. RAILWAY DOCKS

C. & O. FREIGHT YARDS

folk is the distributing point. In addition to this there are over 350 manufacturing plants in the city, representing a capital investment of $30,000,000, and with annual sales of about $39,000,000. Manufacturing has increased nearly one hundred per cent. in the last thirteen years.

The United States navy yard located here represents an investment of $10,-

000,000 and gives employment to nearly three thousand men, drawing in pay over $2,000,000 annually.

The capital invested in the jobbing trade is in the neighborhood of $11,-000,000, with annual sales of over

THE ROYSTER BUILDING, ONE OF NORFOLK'S MOST RECENT AND THOROUGHLY MODERN OFFICE BUILDINGS

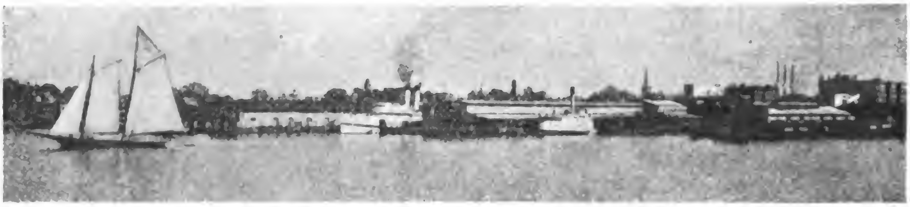
$52,000,000. Favorable freight rates make it possible to compete with other large jobbing centers. Eight trunk line railroads, with deep-water terminals, besides the water-borne transportation (six foreign lines and twenty-six coastwise and river lines) afford abundant carrying facilities.

From 1900 to 1910 the population gained forty-four per cent. The pres-

NATIONAL BANK OF COMMERCE, NORFOLK, VA.

ent population, including suburbs, is about 130,000. Building operations increased fifty-five per cent. in the last

CITIZENS BANK, NORFOLK, VA.



C. & O. WHARF

three years. Bank clearings gained 113 per cent. in eight years and deposits 62.7 per cent. Property values went up from $26,175,000 in 1900 to $67,623,000 in 1913.

Norfolk is the largest coal shipping

HOME OF THE VIRGINIA NATIONAL BANK AND VIRGINIA BANK AND TRUST COMPANY, NORFOLK, VA.

port and the largest peanut market in the world. Its annual shipments of fish, oysters and crabs are valued at $3,000,000, and the annual shipments of green stuffs to the North and West are valued at $15,000,000. The water-borne commerce in the harbor for 1912

SEABOARD NATIONAL BANK, NORFOLK, VA.

totaled 26,088,522 tons, valued at $782,861,858. The exports and imports for 1910 and 1913 were:

	Exports	Imports
1910	$9,815,351.00	$2,042,960.00
1913	16,637,616.00	2,476,316.00

In the three years the exports increased seventy per cent. and imports twenty-one per cent.

There are fourteen banks with a capital and surplus of $7,166,000, deposits over $28,000,000, and the clearings in 1913 were $221,820,500.

With thirty-eight public schools, one hundred and thirty-six churches, numerous fraternal orders, theatres and a number of large and excellent hotels, Norfolk has in abundance all the means essential to education and enjoyment. There are many points of historic interest in and about the city, and a visit to Virginia that did not include Norfolk would certainly be incomplete.

Other Important Cities

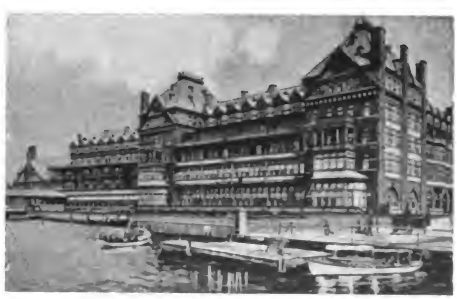
LYNCHBURG, Newport News, Danville, Portsmouth, Roanoke, Petersburg and Alexandria are other important Virginia cities. Their population, according to the Federal census for 1900 and 1910 was as shown herewith.

	1900	1910
Alexandria	15,528	15,329
Danville	16,520	19,020
Lynchburg	18,891	29,494
Newport News	19,635	20,205
Petersburg	21,810	24,127
Portsmouth	17,427	33,190
Roanoke	21,495	34,874

Hotel Chamberlin

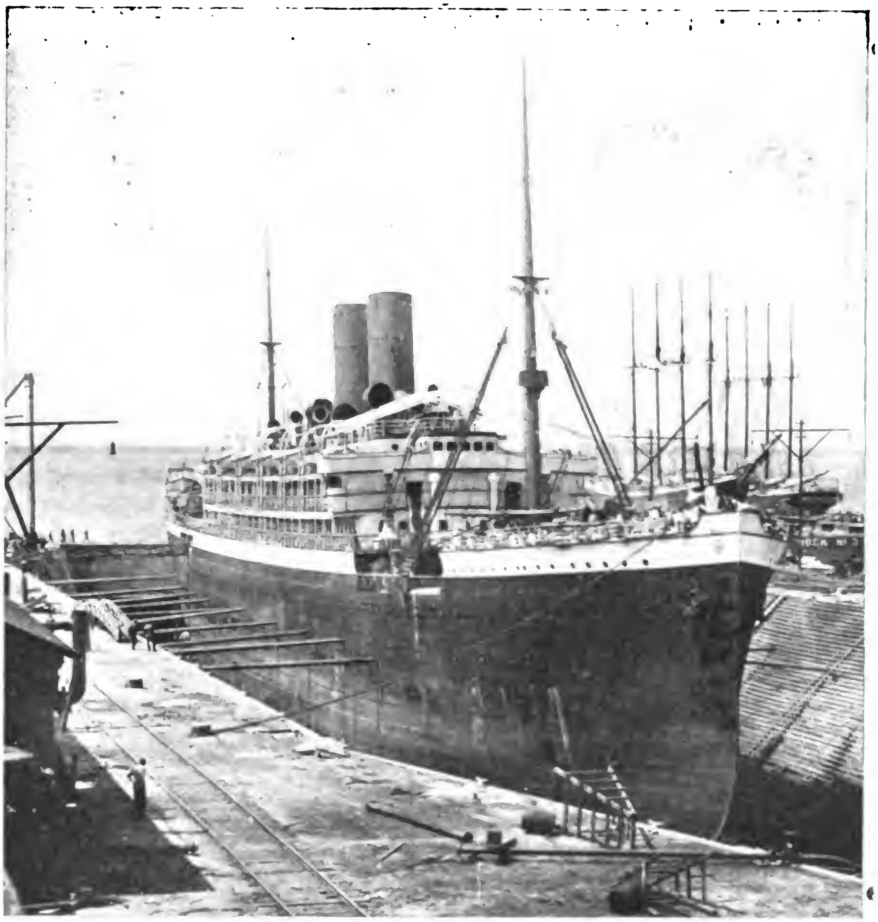
THOSE who visit Norfolk, either before or after the convention, or indeed at any time, will find the city especially provided with abundant first-class hotel facilities. Indeed, the hotels, in point of number, size and perfection of furnishing and cuisine are such as to give the city a very enviable reputation among travellers and tourists as a place of delightful entertainment.

One of these attractive and famous hotels—the meeting place of the Virginia bankers' convention for a number of years past—is illustrated above. This famous hotel is located at Old Point Comfort, less than an hour's delightful sail from Norfolk. It affords a most delightful stopping point for those who wish to visit Norfolk, and certainly a trip to Virginia would be incomplete without a visit to this interesting city and section.



HOTEL CHAMBERLIN
(OLD POINT COMFORT)

A Great Virginia Enterprise



A LARGE LINER BEING OVERHAULED IN ONE OF THE DRY DOCKS, NEWPORT NEWS SHIP BUILDING AND DRYDOCK COMPANY

TO the genius of that remarkable figure in the transportation world, the late Collis P. Huntington, Virginia owes one of its magnificent industrial enterprises—the Newport News Shipbuilding and Drydock Company, which was founded in 1889. Mr. Huntington's shrewd judgment selected Newport News as the proper location for this great enterprise, and the results attained have splendidly vindicated the wisdom of his selection. Mr. Huntington was a man accustomed to deal with affairs of large magnitude, and in planning for this important establishment he laid its foundations on a scale commensurate with the immense interests involved. From the first, this wisely-planned enterprise has flourished and has developed to a size which places it among the notable plants of its kind in the world.

The location at Newport News af-

PARTIAL VIEW OF SHOPS, NEWPORT NEWS SHIP BUILDING AND DRY DOCK COMPANY

VIEW OF NEWPORT NEWS SHIP BUILDING AND DRY DOCK COMPANY'S PLANT FROM THE WATERFRONT

fords the great advantage of Hampton Roads, the assembly place of the great naval and mercantile fleets, while the character of the men who direct the company's operations assures the largest measure of success.

These are not mere assertions, as may be learned from a bare mention of some of the things done. For example, the Newport News Shipbuilding and Drydock Company built seven of the sixteen battleships that made the famous cruise around the world. At present the company has under construction the battleship "Pennsylvania," of 81,000 tons displacement, the first of the new fighting monsters to be equipped with fourteen-inch guns, three in a turret.

But while this establishment has in fact built a large part of the new navy for the United States, and makes naval construction a leading feature of its activity, its operations are by no means limited to the building of war craft. Numerous vessels for the carrying of freight and passengers have been turned out at the yards, and the company is as fully equipped for construction in this line as in that of naval warfare.

The company also does a very large repair business, having the very best facilities for doing work of this kind, the plant including everything necessary for building and repairing vessels of every class and of any tonnage. There are three large basin drydocks, whose respective lengths on top are 587, 610 and 827 feet. The company operates its own pattern shop, foundry, machine shops, joiner shop, boiler shop, blacksmith shop, sawmill, paint shop, rigging loft, galvanizing plant, oxy-acetylene plant, electric welding plant, etc., and the yard is equipped with large derricks for moving and installing machinery and with floating derricks for similar purposes. Ample pier accommodations and deep water are features of the yard's facilities.

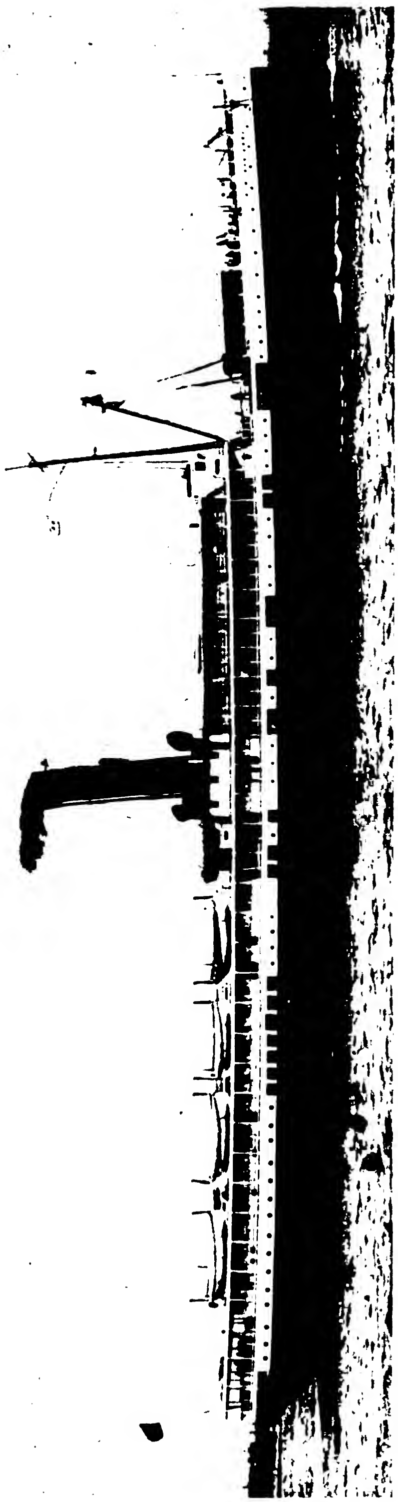
The many splendid naval and mercantile vessels built by the company represent what this establishment is capable of doing in the line of marine construction. It may be mentioned, incidentally, that the company has grown to be an enterprise employing some 5,000 men and that the annual payroll exceeds $3,000,000.

A. L. Hopkins, the president, has been in the employ of the company for twenty years, and having been educated as an engineer, is thoroughly acquainted with all of the company's engineering as well as with its business. His head offices are in New York. H. L. Ferguson, vice-president and general manager, was formerly a naval constructor in the United States Navy, resigning to become hull superintendent with this company, in whose service he has now been for about ten years. Friends of the company claim that it has a designing and an administrative staff second to that of no other shipyard.

Federal Reserve Board

ON August 7 the United States Senate confirmed the appointments of Paul M. Warburg of New York and Frederic A. Delano of Chicago as members of the Federal Reserve Board, the complete Board now being composed of these two gentlemen, W. P. G. Harding of Birmingham, Adolph C. Miller of San Francisco, Charles S. Hamlin of Boston, together with Secretary of the Treasury W. G. McAdoo and Comptroller of the Currency John Skelton Williams as members ex-officio.

Portraits of all the members of the Federal Reserve Board are presented in this number (see frontispiece).



Steamship "Madison"

One of the modern vessels of the Old Dominion Line plying between New York, Old Point and Norfolk

A Delightful Water Trip to or From Richmond

IN selecting a route between their homes and the convention city, many bankers will no doubt wish to make part of the journey by water, thus breaking the fatigue of travel by rail and giving opportunity of enjoying the rest and pleasure of an ocean voyage. There is a convenient way of doing this, and if desired a river trip up the beautiful and historic James from Norfolk to Richmond may be combined with the deep-sea sail.

From New York and adjacent States, as well as from New England, a direct and convenient route may be made in connection with the Old Dominion Steamship Company's line of modern steamers which make the voyage from New York to Norfolk via Old Point Comfort in a pleasant run of about nineteen hours. The start from New York is made at three o'clock in the afternoon, giving an excellent opportunity of seeing the harbor with its towers and spires and the many points of interest down the bay. Before night closes down the vessel is in the open ocean and if the weather is fine a sunset at sea may be witnessed.

For bankers living in parts of the country other than those mentioned, and who may wish to return by New York, the start can be made from Norfolk at 7 o'clock in the evening, New York being reached the following afternoon.

Old Point Comfort, Fortress Monroe, Hampton Roads and Norfolk are some of the interesting places to be seen.

The James River, with its beautiful scenery and rich in historical associations with the earliest colonial epoch, the Revolution and the Civil War, may also be included in the water itinerary, and it is a most delightful way to

STEAMER "BRANDON"

OF THE OLD DOMINION LINE, PASSING DRURY'S BLUFF—ONE OF THE MANY BEAUTIFUL AND INTERESTING POINTS ON THE JAMES RIVER BETWEEN RICHMOND AND NORFOLK

travel. The trip is made between Richmond and Norfolk in about twelve hours.

The Old Dominion steamers are modern and well equipped for the large passenger traffic daily going on between New York and Norfolk, and the large and comfortably furnished saloons and ample promenade decks give abundant room for the assembling of enjoyable parties of bankers and their friends.

A visitor to the Richmond convention who fails to take advantage of these delightful voyages with their attendant opportunities of sightseeing will miss one of the greatest pleasures incident to the meeting.

"WE are always ready to assist our customers in working out a solution of their financial difficulties."—FIRST NATIONAL BANK, LOS GATOS, CAL.

Levi L. Rue

PRESIDENT PHILADELPHIA NATIONAL BANK

THE gentleman whose portrait is presented above is one of the notable figures in the banking world of Philadelphia. Besides being president of the Philadelphia National Bank he is chairman of the clearing-house committee which is the executive committee of the Philadelphia Clearing-House Association and in which is vested most comprehensive power. He is also president of the National Currency Association of the banks of Philadelphia, organized under the Aldrich-Vreeland Law, designed to facilitate the expansion and contraction of bank-note circulation; a director of the Philadelphia Trust, Safe Deposit and Insurance Company; and the Provident Life and Trust Company.

Mr. Rue was born in Philadelphia, July 14, 1860, and on both the paternal and maternal sides is a representative of old and prominent families of that city. Instead of studying law, as desired by his parents, Mr. Rue preferred to enter actively into business, and in December, 1877, following an education in the public schools of Philadelphia, supplemented by the study of stenography, he obtained a position with the Philadelphia National Bank as stenographer to B. B. Comegys who was from 1879 until his decease in 1900, president of the bank.

The industry which he displayed and the aptitude with which he mastered the tasks entrusted to him, and his fidelity, won for Mr. Rue promotion through all the intermediate positions of the bank as teller, assistant cashier in 1893, cashier in 1894, and six years later, in 1900, he was elected vice-president, being elected to the presidency in 1907 as the one most competent to assume the responsibilities and direct the affairs of this, the largest national bank in the city of Philadelphia, and one of the strongest financial institutions in the country, having a capital of $1,500,000, surplus and profits of $1,700,000, and total resources of more than $60,000,000.

Banking Publicity

Conducted by **T. D. MacGREGOR**

The Story of M. J. Shaughnessy

A New York Advertising Man Who Became a Seattle Banker

By Edwin Selvin, Financial Editor The Post-Intelligencer, Seattle, Wash.

I WAS in the Scandinavian American Bank the other day, chatting with M. J. Shaughnessy about old times in New York, and we just naturally drifted into advertising talk.

Know who M. J. Shaughnessy is?

Well, incidentally, he is a director of the Scandinavian American Bank; principally, he is one of the cleverest advertising men in the country. And how he happens to be out here in Seattle helping run one of the most important banks on the coast is an interesting story.

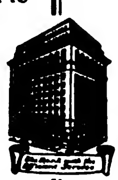
Away back in 1906—it seems away back, for Seattle has grown so much in every way since then—when the Scandinavian American wasn't as big as it now is, the directors got together

LOANS

Several hundred thousand dollars on hand to loan on approved real estate.

THIS Bank will be pleased to receive applications for Loans on Real Estate at current rates, and upon our usual basis of 40 per cent of the appraised value. Our Depositing Customers are especially invited to make their needs known.

Loans in amounts of $1,000 to $10,000 preferred. Applications filed with cur Loan Department will receive prompt and courteous consideration.

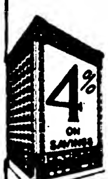


German American Trust and Savings Bank

SPRING & SEVENTH STS. LOS ANGELES

CORDIAL

Our Advertising Is Meant To Be Helpful



Alaska Building, home of the Scandinavian American Bank.

The purpose of the Scandinavian American Bank's advertising never has been and never will be to seek accounts in any way that might tend to disturb existing relations between other banks and their various depositors.

This whole Northwestern country of ours is growing so fast and so solidly that there will be abundant increase of business for all of the older banks like ourselves; business enough also for the many new banks that come into existence and grow because of the definite fields that are open to them.

The facts are that hundreds of welcome strangers are coming to make their homes among us; they have, to begin with, no banking acquaintance.

Not a few of our own young men are starting in business; they are unfamiliar with the real help that a progressive, conservative bank can be to them.

Many are just beginning to earn; some of them will be influenced to save part of their earnings by our talks on thrift.

There are those also to whom the bank's exchange and collection facilities are an advantage. And so through every branch of banking.

It is important for all of these people to know the facilities that good banking affords; perhaps it is quite as important for them to know the special features of convenience and advantage that have been steadily developed and perfected in this bank as it is for us to make them known.

Hence it is that we not only publish advertisements from time to time, but try to put into them as much information as possible.

On the basis of real banking service we are pleased to invite additional accounts from banks and bankers, corporations, firms and individuals, each of whom is certain of every courtesy, every service, every accommodation that a strong, conservative, completely equipped bank may render.

Scandinavian American Bank

Use Our Ballard Branch If More Convenient.

Resources Over $11,000,000

ONE OF MR. SHAUGHNESSY'S ADS.


MONDAY MORNING, THE PITTSBURGH POST JULY 20, 1914

PROSPERITY ATTENDS THRIFT

Encouraging Thrift In Children

A practice fast gaining in popularity with thoughtful parents is that of starting a Savings Account for their children. Such accounts can be opened in the child's name or in the parent's name "in trust for" the child.

The wisdom of this is evident. The child is encouraged to save, and deposits made regularly quickly accumulate to a material sum. We solicit accounts of this nature and pay interest at 4% per annum, compounded semi-annually.

PEOPLES SAVINGS BANK

Cor. Fourth Ave. and Wood St., PITTSBURGH, PA.

Capital and Surplus $2,000,000.00

Open Saturday Evenings Until 9 O'Clock

TALKS ON THRIFT

(These articles are prepared by the American Bankers' Association)

SERIES OF 1914

A STRAIN ON CAPITAL

THRIFTY ALIENS

BUILDING UP CAPITAL

What of Your Future?

SEE WHAT THE RECORDS SHOW

PITTSBURGH BANK FOR SAVINGS

Fourth Ave. and Smithfield St.

The Union Savings Bank

Resources Over $12,000,000

Where Savings are Safe

Work and Save

FRICK BUILDING, PITTSBURGH, PA

5% MAKE YOUR SAVINGS SECURE 6%

There Have Been Dollars Saved, But Thousands Lost.

WRITE OR CALL FOR LIST

CONTINENTAL TRUST CO.,

THE WAGE EARNER

Can You Figure a Profit?

4% Compound Interest Is a Big Help

START NOW

$1.00 Is Enough to Begin

Farmers Deposit Savings Bank

Fifth Avenue and Wood Street PITTSBURGH, PA

Are You REALLY SAVING?

Thrift and Successful Saving depend upon more than merely opening a Savings Account; they are the results of REGULARLY ADDING to your Account.

Remember, you can open a 4% Savings Account here with ONE DOLLAR, and can add to it as much and as often as you like.

PITTSBURG TRUST COMPANY

323 Fourth Avenue

Your Selection

Commonwealth Trust Company

312 Fourth Avenue Pittsburgh, Pa.

SHOWING HOW A PITTSBURGH PAPER COÖPERATES WITH LOCAL BANKS

one afternoon, decided some day Seattle would be a real big town, and that when that day came they wanted their bank to be a real big bank.

So they wrote to Shaughnessy about an advertising campaign. He was a stockholder, but had had nothing to do with the bank beyond drawing his dividends. He sent a series of advertisements on from New York, and later came in person to see how the plan was working out. He kept on

CONVINCING

coming every once in a while, and the advertising kept up, and the new accounts kept coming in. And to-day there are over 30,000 depositors in the bank, scattered all over the world.

But to get back to Shaughnessy. He is the man who organized the advertising system of the great Wanamaker stores in New York city. Mr. Shaughnessy very modestly sums this up by saying:

ESTABLISHED WANAMAKER ADVERTISING

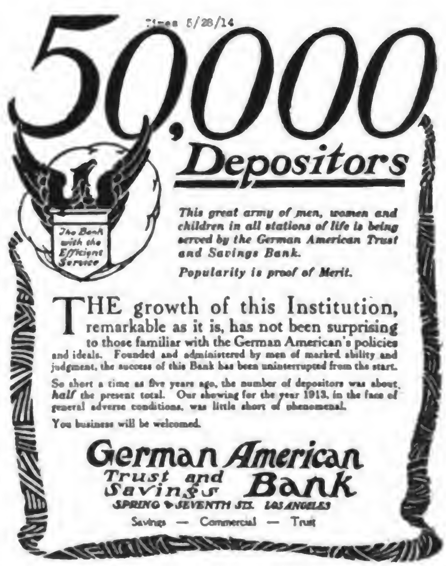
"I WAS requested to call upon Mr. Ogden, whom up to that time I had not met. Briefly he said that they were to open on the following Monday; that they had no advertising man; that a number had applied for the position, some of them well recommended; but as a result of much investigation he had decided, without even having seen me, to ask me to come up there and give them as much of my time as I could until their own organization could be effected—for which they would pay me liberally. I did so."

Mr. Shaughnessy is one of the very few bank directors in the United States who writes and personally cares for his bank's advertising. But then Mr. Shaughnessy was an advertising man long before he became a bank director, and no doubt his advertising for the bank had a great deal to do with his becoming a director in it.

He bought some stock in the Scandinavian American Bank long before he ever saw Seattle and in the summer of 1903 thought he would come out and see what the bank and the city were like. It was then he decided to live in Seattle some day.

But the conversation I started out to write about—it ran something like this on the part of Mr. Shaughnessy:

"I'm keenly interested in advertising. In fact, it has been my life work. From the old stereotyped business card 'John Smith, Dry Goods,' that we used to see in the papers of thirty years ago to the finely illustrated and descriptive announcements of the depart-



IMPRESSIVE

FRONT AND BACK OF A POCKET DIME BANK

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ment stores of to-day, I have watched it grow. It has steadily developed greater interest and greater usefulness for the reader and consequently larger and more definite results for the advertiser.

"Financial advertising also has developed and its development has been more recent than in other lines of business. It isn't so long since the average bank officer would think it wholly undignified and even a sign of weakness to let the public know that he wanted deposits.

"If he printed a card in the paper and an occasional copy of his statement it was as far as he would go. Even that was considered a great favor to the publisher and should command his constant good will and all sorts of friendly notices for the banker and his family.

DIGNITY OF BANK ADVERTISING

"NOWADAYS the banker buys advertising space for the same reason that he buys improved office fixtures or hires additional help—because it pays. The newspaper man no longer begs the banker's favor. He knows that what he sells is a real commodity and well worth its price. The banker is also fast finding it out. Instead of merely printing his card he tells something about the business of banking. He explains the service of the different departments and points out the advantages that will accrue to the reader through the use of that service. With these more enlightened methods he soon learns that the people read and respond to his advertising.

"The bank advertising in Seattle demonstrates this development. It is certainly as good, and I think better, than the bank advertising of any other city of its size, and compares favorably with any other bank advertising in the country. Take the 'Post-Intelligencer's' financial pages every Monday morning and I don't think you will find anywhere a more effective grouping of well written and neatly set advertisements. In fact, while the papers in some cities, say Pittsburgh, carry more bank advertising, I have not seen any to equal the 'Post-Intelligencer's' showing on all these points.

WHEREIN SEATTLE ADS. ARE GOOD

"I WOULD say that most of the bank advertising here is in the hands of clever young men who take great interest in their work. The copy

EUROPE?

is changed regularly, the points are well presented and the typography is excellent. Such advertisements are certain to command interest and respect. They should bring good results to the advertisers and incidentally are bound to be a benefit to the city in which they are published.

"There can be no set rules in writing advertising. The lawyer bumps into a variety of tangles. He must study the case of each client and make of it the best presentation that he can. It is just so with the professional advertising man, only his case is presented day by day in the newspaper columns before the court of public opinion.

"I would say that the first step is to get away from the idea that advertising must necessarily mean exploitation or boom-talk. What it really means is the giving of information. With that fact in mind, remember that you can't tell it all at once and make it stick. No one will read long statements. Of course, it is important to you and it may be well written, but the general public will pass it up. If you could hold each reader by the whole and recite it to him, emphasizing the points that you want to emphasize, it might impress him a little, but he would still be an unwilling listener and you might not get the good will that is necessary in all permanent business.

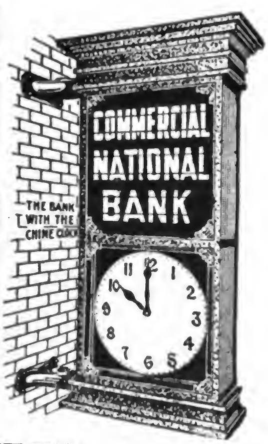
HOW TO WRITE BANK COPY

"IT will pay to be patient. Take one department at a time. Explain its workings from the reader's standpoint. Help him understand what is done and how it is done. If your bank has a better way of doing it or a way that brings greater advantage to the customer, there is no harm in saying so, but be modest about it. If you are careful you can put plenty of dignity into the copy without shutting out the pulling power. Invite the reader to open an account with you if you like, but don't put too much insistence into the invitation. You will note that the merchant who fills his space with anxiety to sell is never the one who gets a permanent hold on the good will and business of his community.

PERSONAL

AUTHORITATIVE

SCAREY



Build a Bumper Balance

Bumper crops are bringing prosperity again. As you get your share of it, don't spend it all, but build up your savings balance in the Illinois National Bank to a higher point than ever.

A "bumper" balance means good times for you.

Illinois National Bank
of Peoria
United States Depository

$1,000.00 CASH PRIZE

Prohibition has come—in consequence Bank Savings Deposits must grow

The above prize will be given to the person who will open a savings account with The National Bank of Commerce on August 1st, 1916, with a deposit of One Cent on that day and regularly each business day thereafter for 29 days double the amount of the sum deposited on the previous day; that is to say, deposit one cent the first day, two cents the second day, four cents the third day, eight cents the fourth day and continue to double the deposit of the previous day for thirty days. The amount of the deposit on the 30th day will be rather large, but we hope to have the pleasure of seeing some person win the prize.

This bank pays three per cent interest per year on savings deposits, compounded twice a year, so if you do not care to compete for the above prize, we hope you will at least open a Savings Account in which you can make regular monthly deposits and it will surprise you how fast your balance will accumulate.

DO IT TODAY

NATIONAL BANK of COMMERCE

"THRIFT
is the management of one's affairs in such a manner that the value of one's possessions is being constantly increased."

This definition by Miss Bang, a school girl, won the contest prize offered by the American Society for Thrift.

THE BUSINESS CENTER OF MIAMI
is the
FIRST NATIONAL BANK

ADS—TIMELY AND OTHERWISE

"Perhaps it would be better to sum it up this way: If the spirit of the bank is one of genuine helpfulness to the community and the advertising man can catch that spirit and put it into plain English and in type large enough to read without specs he will have no need to worry. No one need ever hope to do better."

Almost Blackmail

Banks Are Constantly Solicited to Advertise in Useless Ways

BANKS in cities ought to unite in a defensive combination against programme advertising solicitors. There are very few picnic or entertainment programmes for schools, churches, lodges or labor unions space in which is worth anywhere near what is charged for it. They do not have much of a circulation and their life is very evanescent. The club the solicitor uses is frequently this: "Our organization carries an account in your bank." Some bankers, afraid of offending, give an ad. against their better judgment.

A bank affords safety and service in return for deposits. It should not also be asked to help its customers pay for their printing. While this may seem like a little matter when the individual case is considered, it mounts up to large proportions when you multiply one instance a score or a hundred times in the course of a year.

The Reproduced Ads.

Comment on Newspaper Advertisements Shown Herewith

DES MOINES NATIONAL—This is bound to attract attention as the first thought of the reader is that some crime has been committed and a reward is offered for information leading to the arrest and conviction of the criminal; or that perhaps a purse has been lost and there is a liberal reward for its return.

NATIONAL BANK OF COMMERCE—The same idea is worked out in another way in this ad. which is calculated to make nine out of ten readers do some calculating themselves. The average person on seeing this ad for the first time will take his pencil and begin to figure. He will keep it up until he finds daily deposits of several hundred thousand dollars and then he sees why the bank can afford to make such a generous prize offer.

ILLINOIS NATIONAL—There is an element of surprise in this ad. also, as well as a special timeliness in the harvest season of 1914. The alliteration of the three B's is also good.

FIRST NATIONAL AND MIAMI SAVINGS—These two Miami, Fla., ads. are good, but they leave one hungry for a little more information concerning what these banks offer the public.

COMMERCIAL NATIONAL BANK—A Syracuse, N. Y., newspaper reproduced the chime clock cut with this news article:

> Lord, through this hour
> Be Thou our guide,
> So by Thy power,
> No foot shall slide.

This, the famous cathedral peal of the Westminster chimes, will be heard hourly hereafter as the hands of the large clock now being placed on the

---

"Thrift Is the One Investment That Always Yields Returns"

The conservative management of property and business is an important element of THRIFT, and will materially aid in YOUR financial success.

We have adequate facilities for the prompt handling of money in all branches of banking. Come to us and we will help YOU win.

The American National Bank
of Richmond, Virginia.

SECURITY AND SERVICE.

CAPITAL AND SURPLUS, - - - - $1,600,000 00
RESOURCES, - - - - - - - - $9,300,000 00

PART OF A GOOD SERIES

THE ADVANCE

PUBLISHED BY THE CORN EXCHANGE NATIONAL BANK

VOL. 56. No. 3 PHILADELPHIA, JULY 22, 1914 4 PAGES

NEW LEGISLATION OF INTEREST TO BUSINESS

Several Measures which the Administration Has Sought to Write on Statute Books

TO REGULATE TRADE

Washington, July 22.—The fact that the tactfulness of business men is not to be underestimated has been forced upon the country during the past few weeks. They have been successful, or at least partially successful in turning defeat into success and preventing the adoption of the full drastic force of the proposed anti-trust measures which the Democratic administration has sought to write upon the statute books. The important thing about the arrangement was that Congress has had little to do with this, but the business men dealt directly with the President.

First came J. P. Morgan, of New York, all unexpectedly, to the White House. He was closeted with the President for about an hour, after which not one secret leaked out. Then it was announced that the President had consented to receive a delegation of Illinois business men and that the President had invited Henry Ford, the Detroit automobile manufacturer, to the White House. Later on a delegation of Kansas City business men held a conference with the President.

The ostensible purpose of these visits was to discuss business, but it was soon disclosed that the real object was to go over the provisions of the anti-trust bills, so-called. The President and the business delegates came to an amicable agreement over the matter and when the visitors departed for home they were in a much better frame of mind than when they started for Washington. Soon after their departure, letters were given out at the White House when one or more of the business men announced that they intended to start up their factories at full blast.

The President arranged that while his visitors were in Washington they should confer with Rep. Covington, of Maryland, and the chairman of the two Senate committees now having the trust bills in charge. Rep. Covington drafted the House bill providing for a trade commission, and he is scheduled to lead the House conferees on this measure just as soon as it is adopted by the Senate.

The business delegates told the President that they objected chiefly to those provisions of the Clayton anti-trust bill which attempts to define what shall be held to be restraints of trade. They urged the President to eliminate these provisions entirely from the legislation and instead to incorporate a provision giving the proposed trade commission power to regulate unfair business practices.

HAND IN HAND

To a part of this, it is understood, the President agreed. It has been recognized that the so-called "definitions" sections would greatly complicate the anti-trust statute, but the President is unwilling that complete power to regulate trade practices shall be turned over to the proposed trade commission. The administration is willing to let the trade commission pass upon unfair trade practices, but it is desired at the same time that all enforcement of prohibitions against such unfair trade practices shall remain with the Department of Justice and the federal courts.

The business men told the President that such might be arranged and they consequently went into conference with the leaders of Congress, for the purpose of arranging the proper phraseology of an amendment to the trade commission bill. This amendment will be incorporated in conference between the two houses should the Senate fail to act upon it.

These measures might have been out of committee and voted on by the Senate a long time ago had there been any adequate leadership exhibited. Every day a promise is given that the consideration of the measures will shortly be brought to a conclusion. Nevertheless, it is apparent that the President has resigned himself to a long stay in Washington and that he has adopted a "watchful waiting" policy on Congress.

In the meantime the administration is insisting that business is good and improving. Daily facts are reported to give the country doubt. The Comptroller of the Currency recently issued a call for condition of natinal banks as of Tuesday, June 30th. The reports of this call do not indicate that the country is in any flourishing condition. It does indicate that business is very spotty. In a number of the Western reserve cities and Western states the banks reserves are much lower than they were this time last year.

This situation is doubtless due to the fact that farmers, in need of ready cash, are drawing upon their bank reserves. The withdrawals have not reached the East as yet. On the other hand, deposits in banks have increased in many places, and the loans and discounts have in noted instances increased. In the majority of cases, however, loans and discounts are remaining about the same as they were a year ago, which would

(Continued on page 4, 4th column)

SHIPPERS ARE FORCED TO PAY FREIGHT

Radical Ruling of Interstate Commerce Commission Affecting Shippers

THREATENS MORE TROUBLE

Shall the mistakes of the railroads be underwritten by the shippers of the country? This is the important question which has arisen under a ruling of the Interstate Commerce Commission, a ruling which, if upheld in the courts, will overturn long established commercial usages. The matter has nothing to do with the much talked of 5 per cent. rate increase case.

About a year ago, the Interstate Commerce Commission ruled that railroads must collect for all freight shipments, either from the shipper or the consignee. This apparently innocent decision has already stirred up a lot of trouble and it threatens to keep on doing so.

The difficulties have had their origin in the long established custom of the railroads of granting 30 days' credit on freight bills to regular customers on the accredited list at various stations. Some of these customers have failed or refused to pay freight bills after receiving the goods. Formerly, such accounts were dead losses for the transportation

(Continued on page 2)

A PAGE OF THE BRIGHT AND NEWSY "HOUSE ORGAN" OF THE CORN EXCHANGE NATIONAL BANK OF PHILADELPHIA

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northeast corner of the University Building by the Commercial National Bank of Syracuse point to the time of day.

Only on banks, and one only in each city, are these clocks placed, and the one now going up on the University Building will be completed probably to-morrow.

It is nine feet high and three feet wide, with thirty-inch dials, and being on the corner of the building may be seen for a long distance from either direction in South Warren street and

East Washington street by day or night as it will be lighted by electricity.

Over the dial of the clock, on either side, is the name of the bank. The five chime bells are from four to six feet long and are automatically struck by magnet-drawn, momentum-propelled hammers governed by the "master clock."

Every quarter hour the clock will strike. At the first quarter after the hour there will be four bells from the Westminster chime, "Lord, through this hour—." At the half hour there will be eight bells, the reveille peal of the Wellington chimes, and at the three-quarter hour twelve bells of the reveille. At the even hour there will be sixteen bells, the full Westminster chime, followed by the hour strike.

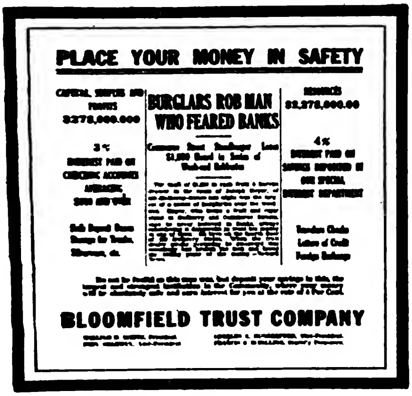
How Banks Are Advertising

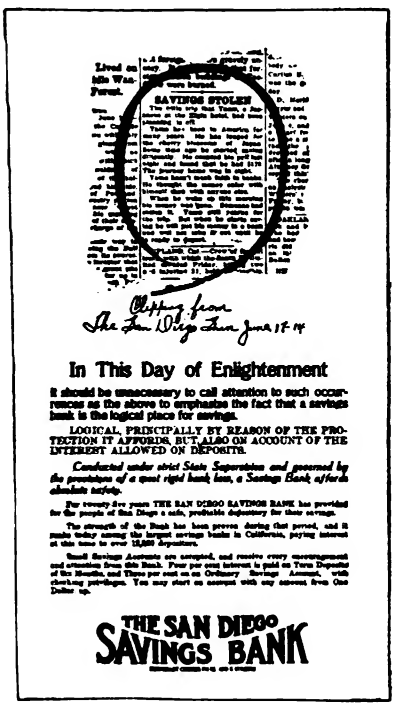
Note and Comment on Current Financial Publicity

THERE was a bad failure of a private bank in a small Southern city a while ago. The only national bank in the county began to advertise strongly the features of security afforded by a national institution. It started a series of half-column reading notices in the newspapers. Then enter the other banks of the town and use their influence with the newspaper to have it refuse to publish the articles. Was that not a flagrant example of unfair methods of competition?

In placing the principal part of the message on the bank's striking emblem, the Corn Exchange National Bank of Philadelphia surely uses an effective form of publicity in the two accompanying illustrations. There is a novelty in the announcement, too, though the idea is eminently practical.

The Bloomfield, N. J., Trust Company and the San Diego, Cal., Savings Bank, both use an old but very effective method of teaching a needed





A "NEGATIVE" APPEAL IS GOOD OCCASIONALLY

lesson from the disastrous experience of persons who distrust banks. The California bank has perhaps the stronger ad. on account of having a cut made of the actual newspaper clipping.

"The Savings Depositor" is a good house organ issued by the Security Trust and Savings Bank of Los Angeles. A recent number had a timely article on the Panama Canal.

"The Dynamo" is the name of a "now and then" publication issued by the employees of the Chattanooga (Tenn.) Savings Bank. There is nothing shocking about it, but it is quite stimulating.

Good Men In Demand

I BELIEVE that there has never been a more insistent call for well trained, energetic men of character, ability and initiative nor that the world has ever been ready to pay greater rewards, or offer so many prizes for especial distinction, as is the case to-day. I speak from a considerable experience in the search of men of exceptional qualifications to fill places of great importance, and there is no fact clearer to me than the fact that our industrial and business life to-day is rich beyond anything that has gone before in opportunity for men with ability, industry, imagination and character.—*Frank A. Vanderlip.*

J. G. White & Company, Limited

THE fifteenth ordinary general meeting of the shareholders of this company was held in London June 29. The directors' report showed the net profit on the year's operations as £70,837 3s. 8d. A dividend of twelve per cent. on both classes of stock was recommended and an extra dividend of ten shillings per share on the ordinary shares. An allocation of £15,000 was made to the general reserve, which is now £135,000, and £21,786 carried forward to next account.

Foreign Banking and Finance

European

LONDON JOINT-STOCK BANK

OUT of the profits for the last half year the directors of the London Joint-Stock Bank, Limited, declared a dividend of eleven per cent. per annum.

This bank's issued capital amounts to £2,970,000, and the reserve fund is £1,125,000. Deposits and current accounts, June 30, were £37,359,504. The head office of the bank is at 5 Princes street, London, E. C., and the officers are: General manager, Charles Gow; deputy general manager, J. F. Darling; head office manager, W. J. Dwyer; assistant manager, B. Day; country manager, T. H. Oxley; secretary, Edward Clodd.

BRITISH INVESTMENTS

IN the first half of 1914, notwithstanding a good many unfavorable factors, the amount of British capital raised for investment in various forms was unprecedented. "The Statist" of London says that in the first half of 1913 the subscriptions to new securities in London was £151,275,000, and this amount was thought to be beyond the absorbing power of British investors. But in the first half of 1914 the amount has reached £166,280,000, or about £15,000,000 more than in the first half of last year, by far the largest sum ever subscribed by British investors in a single six months. In the first half of 1912, and also of 1911, the amount of new capital issued in London was only £121,000,000. In June the new issues reached nearly £22,800,000, against less than £8,000,000 last year and under £17,000,000 in 1912.

Most of the money raised during the half-year has been for strong borrowers. Governments, municipalities, and railways have applied for a sum of no less than £122,500,000 out of £166,300,000. In the first half of last year the amount raised for Governments, municipalities and railways was £100,000,000, and in the first six months of 1912 it was only £56,000,000. The issues for miscellaneous undertakings have, however, been considerable.

A very large part of the money raised has been for the Colonies. The amount of new capital provided for Canada for the six months was nearly £38,300,000, or about £1,000,000 more than in the first half of last year. For Australasia nearly £19,000,000 of money was raised, and for South Africa nearly £10,000,000. In the aggregate the amount of capital supplied to India and the Colonies has been no less than £73,800,000 for the six months, against rather less than £60,000,000 in the first half of last year and £85,000,000 in the first six months of 1912. Colonial borrowings were particularly heavy in June, amounting to £11,700,000. We have continued to find money freely for Argentina, and the amount placed in that country for the six months reached nearly £13,000,000, against £9,000,000 last year. For Brazil we have found nearly £7,000,000. In the first half of last year we provided nearly £20,000,000, but this amount included the Government loan of £11,000,000. Another loan for Brazil is to be made, and this amount will come into the second six months of the year. The money subscribed for Russia has been larger than ever before, amounting to about £108,000,000 for the half-year. Our loans to the United States show a distinct falling off in consequence of the contraction

of business there and the relative absence of new railway construction. For the half-year they reached £6,518,000, in comparison with £12,544,000 last year.

The capital raised publicly for the United Kingdom has been nearly £33,000,000 for the six months, against £25,500,000 last year and under £27,000,000 in 1912.

RUSSIAN LAND BANKS

A CORRESPONDENT of "The Economist," London, gives an interesting description of the various classes of banking institutions in Russia, the following extract relating to the land credit banks being of especial interest here because of the pending legislation in Congress on that subject:

"About 1855 the first public bank with private capital was founded in St. Petersburg, not as a company but as a coöperative society. This form has ever since proved exceedingly popular all over Russia, and in nearly every town you will find a bank of that description. Of course, they are not capable of such extension of business as the big companies, but they are very good institutions, which usually comprise persons of a class with mutual interests. The organization is as follows: Anybody wishing to join has to have his name proposed by two members and balloted for. On admission he takes up shares varying according to the business he is likely to carry on with the bank, the usual minimum being fifty roubles, and 5,000 roubles as a maximum. This paid-up amount makes up the working capital; at the same time, the member shares in the mutual liability of the bank to the extent of ten times the amount of his share. Like all other banks, these coöperative banks are under the control of the Credit Department.

"On the same basis of mutual liability, Russia has a series of land banks and banks for town houses. This type of bank was first inaugurated in the Baltic Provinces, where they were founded by the local nobility. The plan, said to have been used originally by the Swedes for Livonia, was forgotten, after the occupation of this country by Russia, and then found in the archives of the nobility, and carried into effect. To-day it is the system on which all mortgage banks are worked in Russia and in Germany. The estate is valued by the bank, and a loan can be given out up to sixty per cent. of the estimated value. The loan is paid by the bank in bonds for the payment of which, as well as interest, all creditors to the bank are mutually liable. The bonds are sold on the open market, and are considered a good and safe investment. The creditor pays one and one-quarter per cent. more to the bank than the interest payable on the bonds. In thirty-five years the loan is redeemed automatically, as the one and one-quarter per cent. represents the amortization and first cost of administration. There are regulations by which a fixed number of the bonds, which are numbered, are drawn by lottery every year, and paid off at par. As the purchaser of the bonds as a rule buys them below par, he always has an increased capital percentage, apart from the interest. Properly worked, such a mortgage bank can be of great help to the farmer, since it enables him to obtain a loan on easy terms for the improvement of his property; and so it has proved in the Baltic Provinces.

"The Russian Government founded two land banks, one being called the 'Nobility Land Bank,' the other the 'Peasantry Land Bank.' The first of these has not proved a great success. The Russian noble landlord always had a great tendency to extravagance and the amusements of town life. After he had spent all the money paid out in compensation for emancipation, he tried to get loan upon loan on his estate through this Government or Provincial Land Bank, spending the money in most cases not on his estate, but on the expenses of town life, while the estate

was often left to an unfaithful steward. Consequently nearly all estates are mortgaged, and the list of those which are to come into the market by auction and by order of the bank shows an alarming expansion.

"To-day the Peasantry Land Bank is practically buying up the estates which its noble competitor has to sell, and is parcelling them out into small holdings, which are proving a great success and will certainly be an asset for the Government. On this same system banks have been started in towns for houses. Although they are well organized and their bonds are considered good, from another standpoint they have certainly helped to bring about an enormous inflation of land values in the towns, and the resultant tendency to erect big stone buildings is a great drawback for the town inhabitant. Besides these land banks the Russian Government, seeing the necessity of helping the small towns in Russia to get on easy terms, founded a Town Credit Bank with 10,000,000 roubles working capital, and authorized this bank to issue bonds up to sixty million roubles as required, and to grant loans to the smaller towns in Russia for betterment purposes."

DIVIDEND RATE INCREASED

THE dividend declared by the London and Southwestern Bank for the last half year was at the rate of eighteen per cent. per annum, as compared with a previous rate of seventeen per cent.

BONDS OF THE FRENCH PANAMA CANAL COMPANY

AMERICANS holding bonds of the French Panama Canal Company have sought the assistance of the consulate general at Paris to ascertain

whether or not the bonds are of market value.

The question has been carefully investigated, with the assistance of a French bank, and it is found that all the bonds, such as those submitted for opinion, are good and have a present market value of 112 to 114 francs ($21.62 to $22) each.

In the process of redemption there are now four drawings for these bonds each year, and at every drawing the following prizes are offered: First prize, 250,000 francs ($48,250); second prize, 100,000 francs ($19,300); third prize, 10,000 francs ($1,930); fourth prize, 5,000 francs ($965); five prizes, 2,000 francs ($386) each; fifty prizes, 1,000 francs ($193) each; 200 prizes, 400 francs ($77) each.

No bond is repayable at less than 400 francs. The funds for the payment of the prizes are obtained from a large sum of money in French Government bonds deposited at the Comptoir National d'Escompte de Paris.

No interest is payable on the bonds, but in course of time they will all be drawn with one of the above prizes. There were, however, originally 2,000,000 bonds, so that in spite of the fact that there are four drawings each year, and that prior to 1913 the drawings were even more frequent, there still remain a very large number on the market.

There appear to be quite a number of people in the United States who are holders of these bonds and who frequently are unaware of their value, or even if they have any value at all. The consulate general has received recently several inquiries regarding the market price. It is also understood that a number of persons in America have been induced to purchase such bonds

on an instalment plan and have paid therefor as much as fifty per cent. more than the actual market value.

MORE BANK MERGERS

TWO additional bank mergers of importance have recently taken place in London.

Messrs. Robarts, Lubbock & Company have consolidated with Messrs. Coutts & Company. Robarts, Lubbock & Company were established in 1770 and were the only private bank remaining in the London Clearing-House. The capital and reserve of the firm amounted to £500,000; deposits, £3,873,820; acceptances, £123,366.

The combined assets of the merging banks exceed £14,000,000.

Another important merger was that of the Natal Bank with the National Bank of South Africa.

The National Bank of South Africa was formed in 1890, under a concession of the late South African Republic, with a capital of £4,002,000. This was subsequently reduced to £1,000,000, but in consequence of two absorptions it had risen by the end of 1912 to £2,850,000, at which figure it still stands. In 1910 the business of the National Bank of the Orange River Colony was acquired, and in 1912 that of the Bank of Africa, Limited. The deposits on March 31, 1914, amounted to £17,292,610. With a paid-up capital of £2,850,000 there was accumulated a reserve fund at the end of March last of £700,000. The number of offices opened by the bank is 216.

The Natal Bank, Limited, was founded in 1854 and is thus the older of the two institutions. It has an authorized capital of £2,000,000, of which £1,741,160 has been subscribed, the amount paid up being £500,000. The reserve fund amounts to £355,000, which includes £30,000 as special provision for depreciation of investments. The amount of its deposits at the end of last year was £4,225,778. Since 1908 the bank has paid a steady dividend of eight per cent. per annum, the net profits for 1913 being £55,638, as compared with £54,065 for 1912.

Combining the deposits of the National Bank and the Natal Bank a total of £21,518,388 is shown.

BARCLAY & COMPANY, LIMITED

THE general meeting of shareholders of Barclay & Company, Limited, was held at the head office of the bank, 54 Lombard street, London, E. C., July 23. Net profits for the year ending June 30 were £823,399 19s. 8d. which added to the amount brought forward from last year, made a total of £948,760 16s. 10d., apportioned as follows:

To bank purchase account, £200,000; to bonus to staff, paid January, 1914, £21,340; to staff pension fund,

£20,000; to reduction of premises and payment for buildings, £30,000; to other reserves, £50,000; to interim dividend of 4s. per share on 450,000 "A" shares and 7s. per share on 450,000 "B" shares, less income tax in each case, paid February 2, 1914, £233,062 10s.; to final dividend of 4s. per share on 450,000 "A" shares, and 7s. per share on 450,000 "B" shares, making ten per cent. for the year on the "A" shares and seventeen and one-half per cent. for the year on the "B" shares, together with a bonus of 1s. per share on 450,000 "B" shares, equal to a further one and a quarter per cent. per annum, less income tax in each case, £258,687 10s.; balance to be carried forward, £140,679 16s. 10d.

The directors referred in their report to the absorption, October 1st last, of the business of J. & C. Simonds & Company, and, on July 1st, of the business of Nevil Reid & Company.

Messrs. Barclay & Company, Limited, have a paid-in capital of £3,600,000, a reserve fund of £1,600,000, and total assets of £67,403,068.

SAVINGS BANK DEPOSITS IN ITALY

DEPOSITS in Italian savings banks have shown a marked increase in recent years. On June 30, 1913, the total savings bank deposits in Italy were $1,393,532,576. These deposits were mostly in the ordinary savings banks and postal savings banks and the distribution was as follows: Ordinary savings banks, $511,377,294; postal savings banks, $383,104,666; coöperative and people's banks, $226,382,512; ordinary credit banks, $195,112,018; Monte di Pietà (pawnshops) rural savings banks, $58,193,231; banks of issue, $19,362,855.

The growth of savings deposits in Italy is shown by the following figures, which show the amount of increase in savings deposits at the end of each year and at the end of the first half of 1913; 1909, $91,096,000; 1910, $96,886,000; 1911, $56,935,000; 1912, $18,528,000; 1913 (June 30), $24,318,000.

The total savings deposits in the savings banks of Italy at the close of 1912 amounted to $1,369,162,883 and at the end of June, 1913, $1,393,532,576.

BANK COMBINATION IN SWEDEN

REPORTS state that some ten fairly large provincial banks, all interested in Sweden's Private Central Bank, will be formed into one bank. The ten banks in question have an aggregate capital (in shares and reserve funds) of 145,650,000 kr., and it will thus be the largest Scandinavian bank. At present thirteen banks are interested in the Swedish Private Central Bank; the three, which do not

at present seem disposed to join the new bank, but prefer to remain independent and individual banks, mean to continue their connection with the said bank under the new order of things. The deposits under different heads in the ten banks amount to about 430,000,000 kr.

Australasian

BANK OF NEW SOUTH WALES

COMMENTING on a recent balance-sheet of this bank, "The Review" of Melbourne and Sydney calls attention to the fact that the total of the assets has now passed the fifty million (pounds sterling) mark, representing an increase of 100 per cent. in the last fifteen years. The reserve fund is more than doubled and now amounts to £2,450,000.

COMMONWEALTH BANK AND SAVINGS DEPOSITS

A PROPOSAL has been introduced in Parliament which, if passed, would result in the cessation of savings bank business by the Commonwealth Bank, but this institution would receive the State and Commonwealth funds (amounting to a very large sum) now on deposit in the commercial banks. At present it is felt that the Commonwealth Bank is competing seriously with the various State savings banks.

At the close of 1918 the savings bank deposits in Australia were £80,277,812.

BANK OF AUSTRALASIA

AN interest is given to a recent report of this bank from the fact that an increase of £400,000 is shown in the paid-up capital and a premium of £600,000 on the new shares sold. The total assets of this bank are now about £26,000,000.

Asiatic

REORGANIZATION OF SIAM COMMERCIAL BANK

VICE CONSUL-GENERAL CARL C. HANSEN, of Bangkok, reports that a reorganization of the Siam Commercial Bank (Ltd.) has been effected and the capital of the company increased by $111,000 (to be raised by the issue of new shares) and the cancellation of the old shares of stock was ordered. The latter are to be reissued on the basis of one reissued share for ten shares of the old issue.

CHINESE FINANCES IMPROVING

ONE of the chief obstacles to stability of the finances of China—the inability to collect revenues from the several provinces—has been removed by the abolition of the former provincial boundaries and the creation of a smaller local government unit. Further changes have greatly augmented the power of the central government at Peking in a manner likely to enhance the ability to enforce the collection of taxes.

From an address delivered recently by Dr. Morrison before the London Chamber of Commerce it is learned that the financial outlook in China is considered as good. The Five Group Banks retain permanently in their coffers the sum of £1,100,000 sterling from the salt collection in readiness to meet all charges as they mature six months later. All amounts above this are paid back to the Chinese Government. Thus the investors in the Crisp loan of 1912, which is an earlier charge, and the quintuple loan of £25,000,000 of 1913, which is a later charge, are, in Dr. Morrison's view, protected by all reasonable safeguards. Of the quintuple loan £4,000,000 is still unexpended. The Salt Administration, under the guidance of a distinguished Indian expert, is gradually abolishing the system of credit, is establishing a fixed and uniform rate of taxation, and is collecting that rate at the seat of production. Radical changes have not been necessary. Sir Richard Dane has preserved what was best in the old system. During the revolution provincial taxation was largely abolished. With the reinstitution of authority provincial taxation has been resumed, and larger amounts are steadily being remitted to Peking. In the month of May the central Government received £700,000 over and above £1,050,000 paid from the surplus of the salt revenue. New taxes are coming in well, and if the tariff revision, for which China is anxious, can be effected, a large increase in revenue will be secured. Two loans, to the total amount of £4,635,000, are extinguished this year, the final payment of the seven per cent. 1894 loan of £1,635,000 being made next November 1st, and the six per cent. gold loan of £3,000,000 of 1895 having its final payment on December 31. Extinction sets free £240,000 per annum from the customs revenue. On the other hand, there are larger payments to be made next year on account of the boxer indemnity.

JAPANESE BANK AT HARBIN

THE Japanese banking office which has been opened at Harbin will do a small credit business. It is a joint-stock company with a capital of 150,000 rubles ($77,250 U. S. currency) made up of 3,000 shares of fifty rubles each, of which each share-

holder has already paid one-fourth. This bank is intended especially to serve the interests of the local Japanese population.

Latin-America

BANKING AND CREDIT IN SOUTH AMERICA

ALTHOUGH American trade is well established in Argentina, Brazil, Chile and Peru and is growing despite the lack of direct banking facilities, steamship accommodations, etc., American banks are imperatively needed in South America as a dependable resource in the campaign for greater trade. This is the conclusion of E. N. Hurley, president of the Illinois Manufacturers' Association, who has submitted to the Department of Commerce a report on banking and credit in South America, based upon a careful investigation of that field. Mr. Hurley was assigned to this special task by Secretary Redfield, who is making a strenuous effort to increase the sale of American products in South America and was instrumental in securing an appropriation from Congress for this particular purpose.

Foreign and native banking houses reasonably well accommodate the ordinary routine of American trade, Mr. Hurley states, but they naturally withhold the full measure of interest and solicitous support accorded to enterprises of their own nationality. Moreover, many valuable collateral benefits arising from the financing of oversea trade are lost through American reliance upon London banking mediation, while the compulsory use of European materials in many South American enterprises financed in Europe is steadily restricting the potential market for American goods. American salesmen and trading houses also lack the support given by foreign banks to their national trade seekers.

Mr. Hurley's study of the problem of banking and credit in South America was made from the point of view of the manufacturer. It is not a technical banking report, rather it deals with the financial environment of American trade in Argentina, Brazil, Chile and Peru, its disadvantages, and examples from the experience of other nations that have considered oversea banking operations essential to their conquest of foreign trade.

BANKS in South America fall naturally into two classes—foreign banks and native, or domestic, banks. At certain points the business of the two overlaps; but, generally speaking, the foreign banks transact business pertaining to foreign commerce, steadily extending their network of branches and exerting their influence to the advantage of European trade. To this end European banks finance trade not

only (preferentially) between their own countries and South America, but also between the various Latin-American nations and between the United States and South America. The functions of these foreign banks may be summarized as exchange, collections, loans and discounts, credit information and investment.

The United States pays London annually a large toll in the form of bankers' commissions, but more important is the fact that once an American obligation is converted into a bill on London and slips into foreign financial channels it passes out of the hands of those who might be interested in obtaining return purchases by the selling country, and an obligation that ought to stimulate a demand for products of the United States is transferred to London and exerts an influence toward purchases from the United Kingdom.

Whether or not banks are ideal collectors is a question on which much difference of opinion exists, but they do offer the most effective means open to-day to the American exporter to South America, and foreign banks reap the profits of such business. Loans and discounts are at once a source of great profit and great risk to banks in the largest South American countries.

Since the foreign and native banks in South America are called upon to accept drafts representing credits, they must maintain credit-information services, no less for their own protection than for the accommodation of customers. For many years these banks have supplied this need, but mercantile credit agencies have also been established in recent years. Foreign banks supply their home offices with the ratings and characteristics of South American firms and individuals. German trade has been extended largely by the aid of longer credits than are granted by other countries, and German banks have been more minute in their organization of this service. As South American countries are being developed largely with funds from European countries, information as to the character and standing of persons back of the various enterprises is the first need of those whom they approach abroad; hence foreign banks have become channels through which investments are made in railways, light and power companies, etc. Without the detailed information that the foreign banks possess or can obtain of these numerous projects, the development of South America would not proceed so rapidly.

FOREIGN investments in South America may be divided into loans to governments and loans for industrial purposes. South American government bonds are largely held in Europe and the fiscal policy of these countries is materially affected by the attitude of European bankers. Government ownership of utilities is extensive and loans for municipal improvements are numerous. This not only assures the European investor his interest, but also extends the market for imported materials. In recent years the practice of stipulating the use of materials from countries loaning the money for railways, port works, etc., has increased, and this operates to restrict the field for American manufacturers, since American capital does not largely enter the South American field.

AS to the feasibility of establishing banks in South America, Mr. Hurley quotes the views of various bankers and business men, and then summarizes the methods by which such banks can be established as branches of American national banks, banks organized solely for American business in South America, purchase of an interest in existing South American banks, and banks for investment and industrial development. After discussing the advantages and disadvantages of these, Mr. Hurley states, in conclusion, that it is obvious that various kinds of banking

must be carried on by an institution adapted to assist American trade, for its business, like that of European banks in South America, cannot be limited to strictly commercial banking. Banking services there are intimately connected with loans to governments and cities, with industrial investments, etc., which would not come under the operation of the United States Federal Reserve Act. The conclusion seems correct, therefore, that some of the banking facilities demanded for South American trade may have to be provided by some institutions outside the Federal Reserve system. Consequently large State banks and trust companies receiving their charters from States are institutions from which assistance may be sought in order that American business men may get the same facilities as the Germans and the English receive from their banks established for the encouragement of foreign trade.

PROPOSED ARGENTINE MORTGAGE BANK

A PROJECT has been presented to the municipality of Buenos Aires, by Mr. Pedro Martinez Orozco for the creation of a Municipal Mortgage Bank. The proposed institution would grant mortgage loans in "cedulas" which would be styled "cedulas hipotecarias municipales." The capital of the bank would be 50,000,000 pesos, represented by the value of the freehold estate held by the municipality.

NATIONAL BANK OF MEXICO

AT the general meeting of shareholders of this institution, held in Mexico City June 9, the report of the board of directors showed that notwithstanding the long-continued and serious political disturbances, causing a severe financial crisis, the bank has not had its vitality affected, nor do the directors despair of the future. It was proposed to employ $6,000,000 of the earnings of the year to the restoration of the extraordinary reserve fund.

Cuba

MUCH interesting information appears in a recent number of the "Daily Consular and Trade Reports" relating to the Isle of Pines, the information being supplied by Consul-General James L. Rodgers of Havana. It is stated that in the Isle of Pines towns there are two banks—the National Bank & Trust Company, capital $60,000, and the Isle of Pines Bank, capital $25,000. The deposits of the first-named institution on March 31, 1914, were $45,332.94; of the last $141,809.85. Both institutions are prosperous and apparently well managed. These banks also have branches in Santa Barbara and Santa Fe.

BANK OF HAVANA

FOR the year 1913 this institution showed net earnings of $59,697.68, or an increase of over twelve per cent. compared with the preceding year.

The bank has a capital of $1,000,000 in U. S. currency. It is announced that the new building for the bank will be completed shortly.

New Counterfeit $20 National Bank Note

ON the Western National Bank of Fort Worth, Tex. Series 1902; J. W. Lyons, Register of the Treasury; Ellis H. Roberts, Treasurer of the United States; check letter "C"; charter number 9848; bank number 16998; Treasury number V275189A; portrait of Hugh McCulloch.

This counterfeit is apparently printed from very crudely zinc-etched plates on paper of poor quality, without silk threads or any imitation of them. It is so poor that a detailed description of it is deemed unnecessary.

American Bankers' Convention

Plans for Entertaining the Fortieth Annual Convention to be held at Richmond, Virginia, October 12-17

From a Special Richmond Correspondent of The Bankers Magazine

THE tentative plan for the entertainment of the Richmond convention of the American Bankers Association. Oct. 12 to 17, includes every function that will tend to offer entertainment, sightseeing, recreation and social and educational interest.

Municipal authorities, Chamber of Commerce, Business Men's Club, Reserve City Bankers Association, the Clearing-House, Bankers Institute, Shriners, Rotary Club, Advertisers Club and Elks, have all joined with the general committee in carrying out a typically Richmond reception of all who attend the convention.

Hearty coöperation by citizens who are especially efficient in the work of entertaining visitors has been offered to the local committees, and every possible thing that can be done is being arranged, so that every delegate and guest will receive that personal attention which distinguishes Richmond as a convention city.

There will be banquets, teas, receptions and other functions by various local organizations, automobile rides to points of interest and visits to unique manufacturing plants, a great ball at which the Governor of Virginia will head the receiving line, luncheons and other functions for the ladies of visiting delegates and guests, musicale at the City Auditorium and theatre parties, and a boat trip down the historic James River.

The Hermitage and Country Club will be open to delegates and guests throughout the week, where golf may be indulged in by devotees of the game.

NEVER before in the history of Greater Richmond has so much interest been taken in a convention to be held here, although this is considered "the convention city of the South" and more national conventions are held here each year than in any other Southern city. Prominent banking and commercial men and their wives are named on the committees and every moment of the time the bankers are here there will be something doing of interest and pleasure.

At present the eyes of the financial world are centered on Richmond in view of the fact that this city was selected as one of the twelve in which to locate the regional reserve banks of the country. In the general contest for the location of these banks Richmond gained great notoriety because of the fact that Washington and Baltimore were also contesting for the same honor. The bankers of Richmond were among the first to organize for the campaign and enlisted the aid and coöperation of the commercial organizations and city officials. The success of that work is now well known in the banking world and to-day Richmond occupies one of the important points of interest in financial circles.

It is also a matter of note and considerable pride among local bankers that the Fifth District. which is the Richmond territory, was the first of the twelve to elect its directors for the new Federal Reserve Bank, and it is confidently expected that Richmond will be the first to have the regional bank in operation.

Julien H. Hill, cashier of the Na-

tional State and City Bank, who is chairman of the committee of arrangements for the entertainment of the visiting bankers during the October convention. Thomas B. McAdams, cashier of the Merchants National Bank, and Oliver J. Sands, president of the American National Bank, also members of the committee, were among the most active men in the campaign for the new bank and they will take great pride in showing the new institution to the bankers of other cities during their stay in Richmond.

The Richmond Chamber of Commerce is taking an active part in the arrangements for the great convention of bankers and will lend every assistance possible in this direction. The same thing can be said of the city officials, who will join heartily in making the occasion one of the most pleasant in the lives of those who come to the Southern metropolis. The financial men from all over the United States and Canada will be welcomed to the city and the State by Governor Henry Carter Stuart and Mayor George Ainslie.

Although the convention is more than a month off, over 2,500 reservations in the local hotels have been made by delegates who expect to attend and the indications are that the attendance will be equal to that at Boston during the convention held in that city last year. There will be ample hotel accommodations for all the delegates as the hotel equipment in this city is the equal of any city its size in the world.

Richmond's hotel capacity will be amply equal to taking care of the 4,000 to 5,000 delegates that will be present at the great convention. While the headquarters of the convention will be maintained at the Jefferson, branch quarters for registering delegates will be established in several of the other large hotels. Those who have attended conventions all over the country declare without hesitation that there is no better place anywhere for a meeting of national importance than in the Jefferson Hotel. The large auditorium will accommodate any meeting that may be held and in addition there are numerous large apartments where committee meetings can be held. This hotel can accommodate more than a thousand guests. Murphy's Hotel, which is really the largest in the city, will take care of 1,200 or 1,500 guests, and the Richmond Hotel will accommodate 1,000 or more. Ruegers, Stumpfs and the Lexington, while smaller hotels, will be able to take care of a large number.

Certainly never before in the history of the city has so much public interest been aroused over a convention, and the committees appointed to look after the affair include more prominent men than ever before served in a similar capacity.

Julien H. Hill, cashier of the National State and City Bank, is chairman of the entertainment committee and has gathered around him a band of lieutenants which includes many of the leading bankers and commercial men of the city. Among them are: W. H. Adams, W. M. Addison, H. W. Anderson, Hugh Antrim, L. D. Aylett, E. L. Bemiss, John Kerr Branch, John P. Branch, M. C. Branch, J. Stewart Bryan, Thos. P. Bryan, C. R. Burnett, H. L. Cabell, W. L. Carneal, Jr., Richard W. Carrington, George L. Christian, J. C. Corley, Jas. H. Dooley, H. W. Ellerson, R. L. Gordon, W. M. Habilston, R. H. Harwood, H. S. Hawes, O. B. Hill, Wm. M. Hill, A. R. Holladay, Eppa Hunton, Jr., H. W. Jackson, G. Jeter Jones, Egbert G. Leigh, W. H. Palmer Leigh, W. Gordon McCabe, L. Z. Morris, Legh R. Page, Wm. H. Palmer, H. R. Pollard, Thos. B. Purcell, W. T. Reed, Alvin Smith, Wm. R. Trigg, Thos. S. Wheelwright and T. C. Williams.

The publicity committee is headed by Waller Holladay, cashier of the American National Bank, as chairman, and who has as his assistants, W. Meade Addison, cashier of the First National Bank; T. B. McAdams, cashier of the Merchants National Bank; Julien H. Hill, cashier of the National State and City Bank, and R.

L. Gordon, cashier of the Planters National Bank.

A general committee having supervision over the convention has been selected including city officials, bank officials and members of the Chamber of Commerce. The committee is as follows:

From city of Richmond—Mayor George Ainslie, W. H. Adams, president of the Board of Aldermen; R. L. Peters, president of the Common Council; C. H. Radcliff, J. H. Powers, George W. Rogers, John J. Mitchell and J. J. Pollard.

From the Richmond Clearing-House—John B. Purcell, W. H. Palmer, James N. Boyd, John P. Branch, John S. Ellett, John C. Walker and Henry W. Rountree.

From the Chamber of Commerce—W. T. Reed, H. W. Jackson, L. Z. Morris, J. G. Corley, M. J. Caples, Colman Wortham and Thomas S. Wheelwright.

On no other previous occasion have such extensive preparations been made on account of any convention and Richmond is determined to do as much for the financial people as any other city has done. Not less than $35,000 will be raised for the entertainment of the visitors and it is determined not to have a dull moment during the entire stay of the bankers in the city.

The various committees are having meetings every day or two and the detailed programme is being rounded out. Among the attractions will be an excursion down the historic James River, automobile trips, theatre parties, a visit to the country club and a banquet.

It is expected that the Richmond Federal Reserve Bank will be in full operation by the time the convention assembles and the visitors will have the opportunity of visiting one of the twelve big Federal institutions of the country while in action, giving a concrete idea of what is doing in District No. 5.

OUTLINE OF ENTERTAINMENT PROGRAMME

THE tentative programme for the entertainment of the visiting bankers when they gather in Richmond includes many interesting and pleasant features. With possibly some few slight alterations the programme will be as follows:

MONDAY, OCTOBER 12—

MORNING:

Automobile rides to points of interest in and around the city of Richmond for delegates, guests and wives.

AFTERNOON:

Tea at Commonwealth Club for the wives of visiting delegates and guests.

EVENING:

1. Banquet at the Council Club, given by the subscription of its members, who are ex-councilmen.
2. Banquet given by the Reserve City Bankers Association.
3. Entertainment given by the local Shriners to the visiting Shriners.
4. Entertainment given by the local Rotary Club to visiting members.
5. Entertainment given by the Clearing House to the visiting Clearing-House representatives.
6. Banquet given by the Richmond Chamber of Commerce to the visiting directors of similar organizations located in other cities.
7. Entertainment given by the local Elks to visiting Elks.
8. Entertainment given by Richmond Advertisers Club to visiting members of advertising clubs.

TUESDAY, OCTOBER 13—

MORNING:

Automobile rides to points of interest in and around the city of Richmond for delegates, guests and wives.

EVENING:

Reception and ball at the Blues' Armory, the Governor of Virginia heading the receiving line.

WEDNESDAY, OCTOBER 14—

MORNING:

One o'clock, luncheon at the Country Club, for wives and visiting delegates and guests.

EVENING:

Musicale at Auditorium, and Academy of Music.

THURSDAY, OCTOBER 15—

MORNING:

Automobile rides to points of interest in and around the city of Richmond for delegates, guests and wives.

FRIDAY, OCTOBER 16—

Boat trip down the historic James River.

GENERAL ENTERTAINMENT FOR MEN

Golf tournament throughout the week at the Hermitage and Country Clubs for the men.

Little journeys to big manufacturing plants.

Open house at the Richmond Manufacturers' Exhibit.

National and State Indebtedness, 1870-1913

THE full report on national and State indebtedness and funds and investments from 1870 to 1913 has just been issued by Director William J. Harris of the Bureau of the Census, Department of Commerce. The bulletin gives information for the United States as a whole and for each State separately, and it is now ready for distribution.

According to this bulletin, the total debt of the forty-eight State governments on June 30, 1913, amounted to $422,796,525. Of this total, $403,366,569 represented funded debt, and $19,429,956 represented floating debt. Of the funded debt, $364,836,427 are represented in bonds and $38,530,142 are special debt obligations to public trust funds.

As an offsetting item against this total debt, the forty-eight States reported $76,980,571 in sinking fund assets, leaving their debt (less sinking fund assets), $345,942,305. The per capita debt for the forty-eight States amounted to $3.57 on June 30, 1913.

In contrast with the debt of the forty-eight State governments, the national Government had a total debt on June 30, 1913, of $2,916,204,914. Of this total, the funded debt amounted to $2,540,523,329, while the floating debt amounted to $375,681,585. Of the funded debt, the bonded indebtedness amounted to $967,366,160, while the special debt obligations amounted to $1,573,157,169. The sinking fund assets, or cash in the United States Treasury available for the payment of debt, consisting of accumulated trust funds, gold and silver and general Treasury cash, not only were sufficient to eliminate entirely the special debt obligations, but also to reduce the bonded debt. The national debt, less cash in the treasury available for the payment of debt, amounted to only $1,028,564,055, or a per capita debt of $10.59.

The net debt of the national Government represents three times the total net debt of the State governmets. Of the total per capita debt of $14.15 (National and State), the debt of the national Government is $10.59, or seventy-five per cent., while the debt of the State governments amounts to $3.57, or twenty-five per cent. of the total.

HISTORY OF THE NATIONAL DEBT

THE debt of the national Government was higher in 1870 than at any time since that date; the per cap-

ita debt that year being $60.46. This amount, though large, was a material decrease over the debt as it stood August 31, 1865. On that date the indebtedness of the national Government (less funds available for the payment of debt) amounted to $2,766,431,571, an average of $79.44 for every inhabitant of the country. The rate of decrease between 1865 and 1870 was continued until in 1880 the indebtedness of the national Government had decreased so that, together with the rapid increase in the population, the per capita debt had been reduced to only $38.27. Ten years later (1890) it had been reduced to $13.60, at which point it remained with only comparatively slight fluctuations, increasing somewhat during the Spanish-American War and decreasing somewhat since that date, until, at the latest date reported (1913) the indebtedness of the national Government amounts to only $10.59 per capita, an amount slightly higher than in 1907, when the per capita indebtedness was $10.05, the lowest recorded.

No data are available to show the debt of the forty-eight State governments, or the territory from which they have been formed, in 1865, but in 1870 the indebtedness of the State governments, less sinking fund assets, was $352,866,698, or $9.15 per capita. The indebtedness of the State governments decreased in somewhat the same proportion as the indebtedness of the national Government, and in 1880 the per capita debt for the forty-eight State governments was $5.48. Ten years later (1890) this had been reduced to $3.37. Further fluctuations during the last twenty years brought the per capita down to $2.67 in 1909, the lowest amount shown in the period covered. Since 1909 there has been some increase, the per capita debt for the forty-eight State governments being $3.57 on June 30, 1913.

Although there is a net decrease during the period covered in the actual outstanding indebtedness, the material part of the decrease in per capita debt, both for the national Government and the forty-eight State governments, is due to the very material increase in population, amounting to 138.5 per cent. in the period named. Considering the total debt for the national Government and the forty-eight State governments, the total amount outstanding decreased from $2,684,036,654 in 1870 to $1,374,506,360 in 1913, a decrease of almost fifty per cent. In contrast, the per capita debt decreased from $59.61 in 1870 to $14.15 in 1913 (almost eighty per cent.), the lowest point reached being 1907, when it amounted to $12.74.

The figures in the report show that Arizona and Massachusetts are the only States where the State debt, less sinking fund assets, amounts to more per capita than $10.59, the per capita debt for the United States. The debt of the national Government, therefore, is a greater financial weight upon the people of every State in the Union (excepting these two) than is the debt of the State in which they live. In only a very small number of States does the per capita State debt amount to one-half the per capita debt of the national Government. New York, for example, has a per capita State debt of $9.05, due largely to the cost of the Erie Canal; while other States show a very low per capital debt, for Oregon it being only $0.04; for Kansas, $0.14; for Iowa, $0.16; for New Jersey, $0.24; while for Pennsylvania it is nothing, since in that State the sinking fund assets exceed the total debt.

Banking and Financial Notes

EASTERN STATES

New York City

—Following the outbreak of the European war the banks of New York took prompt action in an attempt to conserve the commercial and financial interests of the country. The closing of the New York Stock Exchange—recommended by a conference of bankers—was decided on by the governing committee of the Exchange itself. By taking this action the flood of American securities being poured into the New York Stock Exchange for sale was checked, and the demand for gold for exportation reduced in volume. Prompt measures were also taken for disentangling the foreign exchange market from the confusion and collapse caused by the breaking out of hostilities. Emergency currency in large amounts has been put out by the New York banks and clearing-house loan certificates issued. Savings banks have put into effect a clause in their by-laws requiring sixty days' notice of payment of deposits.

All these measures, taken with celerity and unanimity, have served to allay excitement, and there has been no bank panic.

The bankers have urged that the Government take action to restore, as far as possible, our commerce with foreign ports.

There has been manifest a spirit of coöperation between the Treasury and the banks which has gone far to ameliorate conditions which are extremely bad, but by no means hopeless.

Organization of the new Federal Reserve banking system has been well advanced by the completion of the Federal Reserve Board and election of directors of the Federal Reserve Banks, so that very shortly the national banks will have available a rediscount market which will prove of great service.

The feeling among the banks of New York seems to be that the position of the United States, while undoubtedly serious and likely to continue so indefinitely, is made more favorable than otherwise by the large crops, the fact that security values had already been largely liquidated previous to the breaking out of the war, and that our country will at least be exempt from the direct consequences of the conflict.

Temporarily, New York will gain in international financial importance while the war lasts, and possibly this may have considerable permanent effect. The closing of so many European factories and the turning aside of the energies of the warring nations from the pursuits of commerce to those of military operations will also give American manufacturers an opportunity of supplying to the Orient and to Latin America the products heretofore furnished by Europe. The view is not held, however, that this trade can compensate us for the heavy blow inflicted upon our European commerce, or that we shall gain permanently and

substantially by the heavy losses which the war will cause to nations with whom we have long traded on a vast scale. Thoughtful bankers here look upon the war as destructive of both commerce and capital, and that when the conflict is ended its ravages can be repaired only by a long and painful process of saving.

Among the numerous extraordinary measures proposed to relieve the situation, it has been suggested that national bank notes be counted as bank reserves. The unsoundness of this proposal was thus pointed out by A. B. Hepburn, chairman of the board of directors of the Chase National Bank:

"There may be some bankers in New York who favor making national banknotes lawful reserve for national banks, but there are many who are violently opposed to such a scheme. National banknotes are a liability of the bank issuing the same and not an asset—a liability is not a good reserve against another liability. Congress has just authorized over a billion dollars of banknotes issuable by the banks against their assets, as provided in the Aldrich-Vreeland law; they are in form, force and legal effect indistinguishable from notes secured by Government bonds.

"Shall these be made lawful reserve? Under the Gresham law how long would it be before the cheaper reserve would drive out the better—the gold reserve? I presume banks would not be permitted to count their own notes in their own reserve, but bank 'A' can take out a block of this currency and swap with bank 'B,' which has done the same thing, and its practical effect would be that their deposit liability could be protected only by their note.

"It is said State banks and trust companies are allowed to keep part of their reserve against deposits in national banknotes; very true. State banks and trust companies do not issue banknotes; national banknotes in their hands are an asset and may be presented for redemption to national banks and legal tender money demanded and received. In case of national banks it is radically different, and to make banknotes lawful reserve would be wrong in principle and worse in practice."

—An arrangement for foreign clearances was recently made by the National City Bank. The aim of the plan was thus described by President Frank A. Vanderlip:

"The object is to bring people together who have debits and credits in the same country. For instance, if

a man in Brazil has $100,000 which he wants to pay, and another has the same amount upon which he wants to realize, it would be our business to try to get the two together, and thus pair off the transaction. In normal times one man would buy exchange of the bank and the other would sell it to the bank, the latter wiping out the debits and credits. But with the foreign exchange market eliminated by the European war this cannot be done. We are, therefore, trying to bring about the same result that would accrue if the foreign exchange market were in its normal condition.

"Any bank or business interest is welcome to participate in the plan," continued Mr. Vanderlip. "It was designed by us as a service, not a money-making proposition.

"As to how long it will last will depend upon the need for it. It is primitive, but we think it is the beginning of a movement that will result in greater foreign trade for this country."

—There will be a merger of the Manufacturers National Bank and the Citizens Trust Company, Brooklyn, under the name of Manufacturers-Citizens Trust Company, with $1,000,000 capital and over $12,000,000 deposits.

—Samuel H. Miller, vice-president of the Chase National Bank, now wears a fine gold watch recently presented him by the Chase Bank Club to mark the twenty-fifth anniversary of his association with the bank.

Mr. Miller's services began in 1889, as a messenger. He soon entered the

SAMUEL H. MILLER

VICE-PRESIDENT CHASE NATIONAL BANK, NEW YORK

loan department, and was successively promoted to the respective positions of assistant cashier, cashier and vice-president.

—Rather an exceptional souvenir was presented to those who attended the recent opening of the new building of the Bank of the United States. President Marcus gave to each visitor an edition of Shakespeare, bound in morocco with the name of each recipient on the case enclosing the volume.

—President Arthur K. Wood of the Franklin Trust Company of Brooklyn announced recently that eleven new trustees had been added to the board. They are William G. Low, Jr., of William Morris Imbrie & Company; Guy E. Tripp, head of the Westinghouse Electric and Manufacturing Company; Henry R. Hayes of Stone & Webster; William M. Ramsey, New York agent of the Merchants Bank of Canada; Lawrence L. Gillespie, a former vice-president of the Equitable Trust Company; John Sloane of W. & J. Sloane; John H. Iselin of the law firm of Anderson, Iselin & Anderson; A. Ludlow Kramer, president of the Electric Properties Company; R. Bayard Cutting, Edward C. Delafield and R. Stuyvesant Pierrepont. The entire board now numbers twenty-seven. The new trustees represent new interests among holders of the trust company's stock.

—The Dime Savings Bank of Williamsburgh, located in the Williamsburgh or Eastern District section of Brooklyn at Havemeyer and South Fifth streets, reached its fiftieth anniversary on June first.

The Dime Savings Bank of Williamsburgh, like all similar institutions, was founded for the purpose of encouraging thrift among the provident poor, more especially among those of its own locality. The bank itself has set a good example in this regard, for while it has credited to the account of its depositors a large amount of interest, it has accumulated in addition $652,736.88 as a surplus or guaranty fund.

During the fifty years of its existence it has placed to the credit of its depositors no less than $5,334,657.31 in interest. More than 1,250,000 persons have deposited an aggregate of $64,815,868.11, and they have withdrawn during the same time $54,770,-487.54, leaving a balance of $10,045,-380.57 to the credit of the 15,147 accounts now open on the books of the bank.

—Kermit Roosevelt, son of the ex-President, will enter the service of the National City Bank at its branch in Rio Janeiro, Brazil. His experiences in South America are expected to be helpful in his new work.

—Work is proceeding on the new building of the Brooklyn Trust Company at Pierrepont and Montague streets. It is estimated that the building will cost approximately $750,000. The building will be constructed of granite and Indiana limestone, upon steel foundations, and with steel interiors. The steel safe deposit vaults will be in the basement. Above them, on the first floor, will be the offices of the bank, forty-two feet in height, and equal to an ordinary three-story

structure. Above the banking floor will be two floors to be rented for offices.

NEW ENGLAND

—The Old South Trust Company of Boston is a new institution, with these officers: President, John R. McVey; vice-presidents, Francis L. Daly and Sidney Conrad; treasurer, Robert H. Bean.

—John R. Barnes and Albion W. Pendexter have been elected vice-presidents and members of the executive board of the Puritan Trust Company of Meriden, Ct., to fill vacancies caused by the resignation of Eli Birdseye and by the death of P. J. Handel. Walter E. Frisbie, cashier of the company, has been added to the board of directors.

—At the recent annual meeting of the Meriden, Ct., Savings Bank, Eugene A. Hall was chosen president to succeed John L. Billard, who declined reëlection. Mr. Billard has been elected vice-president of the bank and Herman Hess has been made a director.

—At the last quarterly meeting of the trustees of the Newton Centre, Mass., Savings Bank, the resignation of the president, Hon. Seward W. Jones, who has just been elected president of the Newton Trust Company, was accepted and Vice-President Henry H. Kendall was chosen to fill Mr. Jones' place. Norman H. George was elected vice-president and Mr. Jones and Frank L. Richardson chosen members of the board of investment to fill vacancies caused by the death of Dwight Chester and the promotion of Mr. Kendall to the office of president.

The report of the treasurer for the quarter ending July 14, 1914, shows the bank to be in a flourishing condition, and attention is called to the fact that during the last quarter the

bank has passed the million dollar mark, having a deposit account of $1,007,000.

This bank opened for business July 11, 1896, and so has just passed its eighteenth birthday.

—H. A. Dalby, formerly assistant treasurer of the Naugatuck Savings Bank of Naugatuck, Conn., has been chosen treasurer of the bank, succeeding Adelbert C. Tuttle, deceased.

—It is announced that the Chester Trust Company of Chester, Conn., will be incorporated in the near future and expects to begin business by October 1. The new company will be capitalized for $25,000.

—A new building is in process of construction for the Eastern Trust and Banking Company, Oldtown, Me. This institution is a branch of the same company at Bangor.

—The quarterly meeting of the board of governors of the Investment Bankers Association of America was held in Boston August 7 and 8.

—The four-story brick and stone building of the Five Cents Savings Bank, New Bedford, Mass., was recently moved a distance of sixteen feet to conform to a new street line.

EASTERN STATES

—That was a big dividend recently declared by the First National Bank of Uniontown, Pa.—700 per cent. The capital of the bank is $100,000 and the surplus $1,650,000. This exceptional dividend was declared to avoid too heavy a contribution to the new Federal Reserve Bank.

—Hon. N. B. Scott, whose portrait appears herewith, is prominent in financial affairs in the National Capital, where he is president of the Continental Trust Company, and in West Virginia, where he is vice-president of the Dollar Savings and Trust Company of Wheeling. He formerly represented West Virginia in the United States Senate.

HON. N. B. SCOTT

PRESIDENT CONTINENTAL TRUST COMPANY, WASHINGTON, D. C.; VICE-PRESIDENT DOLLAR SAVINGS AND TRUST COMPANY, WHEELING, W. VA.

—Frederick S. Giger, paying teller of the First National Bank, Philadelphia, recently completed fifty years of service with that institution. He entered the bank at the age of sixteen and was promoted through the various grades of work to his present responsible position. Besides his active duties at the bank, Mr. Giger takes a keen interest in general banking affairs and in other matters of public concern. He was one of the organizers and for many years held the office of president of the Bank Clerks Association, which was one of the leading amateur athletic associations in the city during its existence. He is a member and vice-president of the Bank Clerks Beneficial Association, which provides a liberal insurance for the families of its members. He is a member of the Pennsylvania Historical Society and of the Philadelphia Chapter of the American Institute of Banking and is treasurer and an active member of St. Andrew's Society.

Frederick S. Giger

PAYING TELLER FIRST NATIONAL BANK, PHILADELPHIA

—Officers and directors of the First National Bank, Roselle, N. J., on August 3 announced the opening of the bank's new building and safe-deposit vaults and invited the public in for an inspection and friendly greeting.

—The National Bank of Germantown, Philadelphia, recently celebrated its one-hundredth anniversary. In commemoration of the event a handsome historical booklet was issued by the bank.

—A hundred years of successful banking is the record of which the Farmers National Bank of Reading, Pa., is justly proud. The event is marked by the publication of a handsome illustrated pamphlet, giving a concise and interesting history of the bank from its establishment to the

present. The story begins in this impressive way: "When James Madison was President of the United States, when Abraham Lincoln was a boy of five years, before Ulysses S. Grant was born, before the battle of Waterloo and the triumph of Jackson at New Orleans, on June 14, 1814, the Farmers Bank of Reading, now the Farmers National Bank of Reading, was organized."

The building occupied by the bank was erected in 1763, although the interior has been rebuilt and the exterior increased in size. From the history of the bank this interesting quotation is made:

"It is noteworthy, in looking over the first books of the bank, to find that while they were not kept with the same care and accuracy as is the case to-day, the fundamental system was the same. The books from the beginning are preserved. and they make an interesting exhibit, They are old-fashioned in looks, but as substantial as good handiwork could make them. The binding is still preserved, the paper in excellent condition, and the ink has scarcely faded any since the day when it was inscribed upon the pages by the quill pens of the first clerks. These ancient books not only show by their appearance that they belong to the long ago, and to an entirely different age, but many of the entries and charges confirm this, for among the frequent expense items are those for quill pens, firewood, wood chopping, candles and chimney sweeping, showing how far away those days were from the era of steel pens. typewriters, counting machines, electric lighting and steam heat. However. there are many other entries showing that in the absence of all our modern appliances and conveniences it was possible by the aid of goose quills, wood fires and candles, coupled with honesty, vigilance and business sagacity to stand up against such a constant succession of panics, financial disasters and miscellaneous business dangers as would appall the modern banker and yet, with it all, to maintain a good front, earn dividends, add to resources and meet every obligation to the penny through generations."

Besides the bank's capital of $400,000 there has been accumulated $814,688 of undivided profits. Total resources on June 18 were $3,836,918.47.

—From June 20, 1864, until the present Charles H. Wardell has been connected with the Farmers and Merchants National Bank, Matawan, N. J., first as assistant cashier, and cashier since 1873. His long association with the bank was signalized by a banquet tendered him by the Monmouth County Bankers Association.

—Under the title of "An Historical Sketch of the First National Bank of Baltimore, Fifty Years, 1864-1914,"

the institution named has published an interesting story of half a century's progress. The paper, illustrations, binding as well as the descriptive matter are all of a very high character.

Thomas Swann was the first president. He served as Governor of Maryland from 1865 to 1869. Johns Hopkins was one of the original board of directors.

What the bank has done is sufficiently indicated by the steady rise in deposits. The gain since 1900 has been from about $1,430,000 to nearly $8,000,000 now. Its prosperity appears from an unbroken half-yearly dividend since November, 1864, representing a total payment of $4,674,100 to shareholders.

The present officers of the First National Bank of Baltimore are: President, H. B. Wilcox; vice-president, Blanchard Randall; cashier, Wm. S. Hammond; assistant cashiers, Samuel W. Tschudi and R. E. Bolling.

—Louis R. Gethoefer is president of the new Bankers Trust Company, Buffalo, N. Y., which has $1,000,000 capital and $100,000 surplus. The company was organized by stockholders of the Marine National Bank, the latter institution declaring a dividend of $1,000,000 to enable its shareholders to subscribe for stock in the Bankers Trust Company.

SOUTHERN STATES

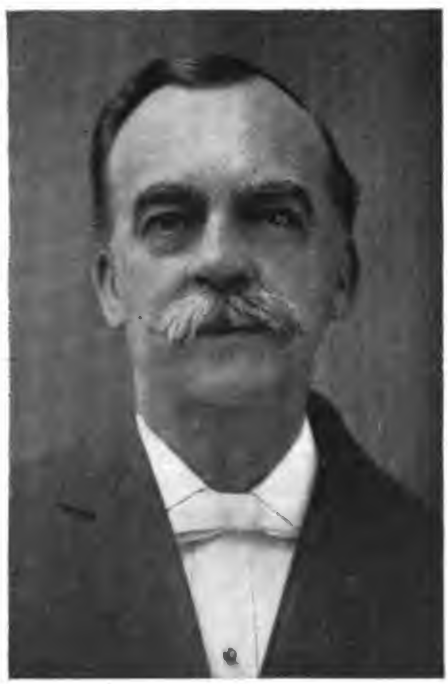
—W. P. G. Harding, a member of the Federal Reserve Board, was presented with a silver loving cup by the officers and employees of the First National Bank of Birmingham, Ala., on his retirement from the presidency of that institution.

—Two pieces of legislation are reported from Louisiana which it is hoped will have a beneficial influence on banking and business in that State. One law repeals the tax of 3.1 per cent. heretofore imposed upon money in hand or on deposit, and the other makes more liberal the taxation of foreign banks desiring to do business in the State.

—Consolidation of the Savannah (Ga.) Trust Company and the Chatham Bank is reported.

—On July 1 the Pascagoula (Miss.) National Bank moved into its new building.

—Commemorative of its fortieth anniversary the First National Bank of Jackson, Tenn., issued a handsomely-engraved announcement expressing appreciation to its friends for the cordial business relations established and maintained and expressing a hope for the continuance of such relations.



W. B. Vest

CASHIER CITIZENS AND MARINE BANK, NEWPORT NEWS, VIRGINIA; PRESIDENT VIRGINIA BANKERS ASSOCIATION

These figures from the bank's statements for the years given are a witness of its growth:

	Capital	Surplus and Profits	Deposits
1874	$50,000	$3,212	41,785
1894	100,000	25,130	239,940
1914	200,000	70,661	1,092,015

The present officers of the bank are: President, J. W. Vanden; vice-president, G. H. Robertson; cashier, W. A. Caldwell (who was one of the founders of the bank, and who has been cashier since 1874); assistant cashier, Thos. I. Taylor; attorney, C. G. Bond.

—Following the increase of its annual dividend rate in June from eight to ten per cent., the Birmingham, Ala., Trust and Savings Company transferred $50,000 from the undivided profits account to surplus, making that item $650,000, which has all been earned in the twenty-six years of the company's successful history.

—The name of the Citizens Bank and Trust Company, Athens, Ga., has been changed to the Commercial Bank.

—Extensive alterations are being made in the building of the Groos National Bank of San Antonio, Texas.

—H. S. Rossell, heretofore connected with the Fourth National Bank of New York, and later with the Mechanics and Metals National of that city, entered the employ of the Merchants National Bank, Richmond, Va., August 1, taking charge of the credit department of that bank. Mr. Rossell for some time had charge of the Southern department of the Fourth National Bank of New York at Atlanta, and he has also travelled extensively as a bank representative in the South.

WESTERN STATES

Chicago

—Counselman & Company is the name of a new investment banking firm here, with offices at 112 Adams street. The capitalization will be $600,000. A number of bankers and other capitalists comprise the board of directors.

—By the absorption of the Colonial Trust and Savings Bank the Central Trust Company of Illinois gains some $5,000,000 of deposits, bringing its total well above $43,000,000.

Under the presidency of Charles G. Dawes, former Comptroller of the Currency, the Central Trust Company has grown steadily and surely to its present important position among the financial institutions of the country.

—Samuel M. Nickerson, pioneer Chicago banker and financier and a prominent figure in the business world of Chicago, died July 20 at the home of his daughter-in-law at East Brewster, Mass. He had been retired from

Form 260

THE WESTERN UNION TELEGRAPH COMPANY

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THEO. N. VAIL, PRESIDENT — BELVIDERE BROOKS, GENERAL MANAGER

RECEIVER'S No.	TIME FILED	CHECK

SEND the following message subject to the terms on back hereof, which are hereby agreed to

August 10, 1914.

The Honorable William G. McAdoo,
Secretary of the Treasury and Chairman of the Federal Reserve Board,
Washington, D.C.

Please accept our congratulations upon completing the organization of the Federal Reserve Board, the personnel of which merits the highest degree of confidence by the business interests of the Nation.

Kindly extend to each member of the Board our best wishes and express the hope that the labor required during the formative period of the new system may not only meet with the general approval the patriotic service deserves, but will be accompanied by some personal pleasure.

We look forward to the pleasure of having each member of the Reserve Bank Organization Committee and the Federal Reserve Board in Chicago, September first with the Directors of the Federal Reserve Banks and delegates from Bankers and Commercial Associations from all parts of the country to participate in the National Celebration of the establishment of Federal Reserve Banks in the United States.

We believe the conference of all those charged with the responsibility of putting the new act into operation which will follow the celebration will be of great value at this time.

Jas B Forgan Pt
THE FIRST NATIONAL BANK OF CHICAGO

Orson Smith Prest
THE MERCHANTS LOAN & TRUST COMPANY.

Geo M Reynolds
Continental and Commercial Nat'l Bank of Chicago

Ernest A. Hamill President
CORN EXCHANGE NATIONAL BANK

David R Forgan Pt
THE NATIONAL CITY BANK OF CHICAGO

John J. Mitchell Prest
ILLINOIS TRUST & SAVINGS BANK.

FOR DEARBORN NAT. BANK
Wm A Tilden President

W. T. Fenton Vice Pres
THE NATIONAL BANK OF THE REPUBLIC OF CHICAGO

L. A. Goddard Pres't
STATE BANK OF CHICAGO.

The Northern Trust Co
by Solomon A Smith Pres.

Oscar G. Foreman V.Pt
FOREMAN BROS. BANKING CO.

CENTRAL TRUST COMPANY OF ILLINOIS
Charles G Dawes President

C. S. Castle Pres
STANDARD TRUST & SAVINGS BANK.

C. H. Bosworth Prest
The Peoples Trust and Savings Bank of Chicago

Albert W. Harris Pt.
Harris Trust & Savings Bank

F. H. Rawson Pres
UNION TRUST CO.

NOTE.—It has been decided to postpone for about sixty days the Meeting at Chicago, referred to above.
—Editor BANKERS MAGAZINE

active business for fourteen years and since the death of his wife had made his home with his daughter-in-law.

A native of Chatham, Mass., Mr. Nickerson spent much of the time of his later years amid the scenes of his youth. He was born June 14, 1830. After attending the public schools of Boston he went to Appalachicola, Fla., where he acted as clerk in his brother's store, and later, in 1851, opened a store of his own. Loss by fire first threw him in financial straits, but borrowing a small capital in the East, he came to Chicago in 1858.

In 1863 he became connected with the Chicago City Railway Company and two years later was made president. At this time he also helped organize the First National Bank and served as vice-president of that institution from 1863 until 1867, when he became president.

As president of the First National Bank Mr. Nickerson served twenty-four years, resigning in 1891, to be succeeded by Lyman J. Gage. In 1897, when Mr. Gage accepted the portfolio of Secretary of the Treasury under President McKinley, Mr. Nickerson again became the bank's president, holding the office until the election of James B. Forgan in January, 1900. He was also a director of the bank from its organization until 1905.

In musical circles of a score of years ago Mr. Nickerson was a prominent figure, as he was also in the Chicago Historical Society. He was donor of a room in the Art Institute.

—The Edgewater State Bank of Chicago has absorbed the Broadway State Bank, occupying the quarters of the latter.

--A site has been purchased by the Dickinson Trust Company, Richmond, Ind., on which will be erected a building of the exclusive banking type.

—It is announced that the Union National Bank, Cleveland, Ohio, will

build a new home, probably on its present site, and that the Guardian Savings and Trust Company will move into the New England Building.

—An attractive building, with walls of cut stone, is being built for the branch of the Detroit (Mich.) Savings Bank at Gratoit, Elmwood and Mack avenue. This is the largest of the bank's twelve branch offices.

—Edgar J. Hughes, assistant cashier, and N. D. Jay, manager of the bond department of the First National Bank of Milwaukee, have been made vice-presidents of that institution, and A. G. Caspar, auditor, has been made assistant cashier.

—Denver bankers gave a farewell dinner to Charles Fletcher, Jr., on his retirement from the presidency of the Denver Stockyards Bank. Mr. Fletcher goes to Omaha as vice-president of the Stockyards National Bank.

—S. D. Carr, president of the National Bank of Commerce, has been elected president of the Toledo Clearing-House Association.

—Bank Commissioner Doyle of Michigan reported on July 27 that the banks of that State had $32,000,000 capital, $17,826,000 surplus, $17,826,000 undivided profits and $420,783,870 deposits. The report included 462 State banks and six trust companies.

—The Equitable Life Assurance Society has written a blanket policy for $130,000 on the lives of 125 employees

of the Commerce Trust Company, Kansas City, Mo. The trust company is to pay the premium each month which protects the family of each employee for the amount of his salary for a year. As the employees change, the insurance policy is to be changed to cover the employees who take their places. The trust company expects remuneration for its expense in loyalty from its employees. The policy covers every employee, from the office boy of 16 to the oldest man of seventy-six.

—Since June 4, 1913, deposits of Minnesota State banks have increased $21,000,000.

—Removal of the Guardian Trust and Savings Bank, Toledo, Ohio, has been made into completely equipped quarters in the Spitzer Building.

—The City State Bank is a new one at St. Paul, Minn., with $25,000 capital.

—Novel things in the way of bank advertising are happening out in Joliet, Ill., as may be seen from the following story taken out of the "Herald" of that city:

The New Commercial Trust and Savings Bank is swarming with kids. Big ones, little ones, some dirty, some clean, lots of 'em barefooted and all ambitious and keen for the "buttons."

All because the new bank officials are giving away buttons to every child in Joliet. The buttons are all numbered. Each number has a duplicate. If you locate the holder of the duplicate you may go to the bank and a savings account will be opened for you with $1 after your name.

John Spolanovich secured a lucky number, 6180. But the task of finding the holder of the duplicate looked very dubious to John. He sat in the bank lobby for three hours and was finally rewarded for his perseverance when Beatrice McCowan, 109 Shields avenue, was found. She held the duplicate number to correspond with John's. Both are $1 richer today and carry a neat little pass-book as a result.

John Slobodnik, 901 Scott street, with an adroit sense of high finance, purchased buttons from several youngsters at one cent each. He purchased twenty-two in all. One of them was lucky. John has made seventy-eight cents on the transaction. Everett Hograff, 119 Youngs avenue, held the duplicate.

This morning bright and early the line formed. They fought, pulled hair, kicked and pushed. The big doors, however, were closed until 9 o'clock. When Teller Fredericks finally opened them, there was one grand rush. Fredericks was swept off his feet by the maelstrom of humanity.

For about ten minutes the bank was in an uproar. They swarmed in droves. They climbed on the chairs, new mahogany ones, too; they vaulted the

railing between the foyer and the officials' desks; they stormed the safety deposit section and in general acted like any healthy lot of kids are supposed to act when there is a chance of getting something for nothing.

Cashier Clyne cried for order. As fast as possible the desired buttons were circulated.

When a "Herald" reporter walked in—or fought his way in—he was handed one of the buttons, 2214. It was a lucky one. It was the decoy that saved the day. Exposing the button to the delegation he used it as a bait to draw them from the bank by promising to throw it up outside.

The kids "fell." They followed and the button was tossed in the air. Harry Krahlin was the lucky boy. In securing it he lost a very neat shirt, had his toes badly mashed, his hair pulled, two fingers poked in one eye and received a general mauling. But he's happy.

"Pretty soft," he said.

—Montana bankers held their annual convention at Butte August 10 and 11. Speakers included Arthur Reynolds, president of the American Bankers Association; Geo. Woodruff, president of the First National Bank, Joliet, Ill.; and Joseph Chapman, vice-president of the Northwestern National Bank, Minneapolis.

—Wm. H. Hettel, heretofore paying teller of the Mechanics-American National Bank, St. Louis, has been elected assistant cashier of that institution.

Mr. Hettel began his banking work with the Union Savings Institution in 1877, as a messenger. This bank changed its name in 1888 to American Exchange Bank and became a national institution in 1905 and in the same

WILLIAM H. HETTEL

RECENTLY ELECTED ASSISTANT CASHIER OF THE MECHANICS-AMERICAN NATIONAL BANK, ST. LOUIS, MISSOURI

year merged with the Mechanics National Bank under the present title. Mr. Hettel's banking experience thus extends over a period of thirty-seven years.

—Recently the Merchants National Bank of Muncie, Ind., took possession of its new building, which in construction and equipment meets the latest demands of banking. The bank was organized in 1893 and this is the second time that growth of business has compelled it to seek larger quarters. The bank has $225,000 capital, $150,000 surplus and profits and more than $2,000,000 total resources.

—Butte, Montana, bankers are on the alert to secure the location of a branch of the Minneapolis Federal Reserve Bank in their city.

PACIFIC STATES

—In 1887, before the town site of Redlands was platted, the Bank of the East San Bernardino Valley was established, and in the following year the name of the bank was changed to the First National Bank of Redlands, whose fine modern building, recently completed and occupied, is shown herewith. The splendid exterior appearance is but an index of the costly and tasteful interior, embodying every requirement of present day bank architecture and equipment.

The capital of the bank is $150,000 and there is a surplus of $100,000. F. P. Morrison, the president of the First National Bank of Redlands, has held that office from the organization of the bank. John P. Fish is first vice-president; Edward M. Cope, second vice-president; S. R. Hemingway, cashier; and H. R. Scott, assistant cashier.

Redlands is located in the richest and most beautiful part of Southern California, and its oldest bank is now appropriately housed.

—R. W. Schmeer, cashier of the United States National Bank, Portland, will be Oregon's new member of the executive council of the American Bankers Association.

—There are several items in the June 30th statement of the Crocker National Bank of San Francisco which must be very agreeable to the management. Besides the $2,000,000 capital there is $3,209,957.65 surplus and

NEW HOME OF THE FIRST NATIONAL BANK AND SAVINGS BANK OF REDLANDS, REDLANDS, CAL.

profits, $6,765,100.08 in cash and sight exchange and $17,949,974.38 of deposits. Total assets were, on the date named, $25,820,642.08.

—Spokane has adopted the clearing-house system of bank examination, Charles A. McLean, heretofore cashier of the Traders National Bank being appointed examiner.

—Los Angeles, Cal., which already has many fine bank homes is to have another, a contract having been signed for the new twelve-story building of the Citizens National Bank, which will cost over $1,000,000. The new building will be at the corner of Fifth and Spring streets.

—The Savings Union Bank and Trust Company, San Francisco, in its report on June 30, showed deposits of $33,861,868.26. Paid-up capital was $1,500,000; reserve, $2,120,000; and total resources, $37,676,368.89.

—In deference to the large number of women who are depositors, the Spokane and Eastern Trust Company, Spokane, Washington, recently put into effect a rule which prohibits officials from smoking in the bank from 10 a. m. to 3 p. m.

—A merger has been arranged between the German-American Bank of Seattle and the Mercantile National Bank under the new title of German-American-Mercantile Bank, capital $200,000.

—The Sonoma County National Bank, Petaluma, Cal., is now in its new building.

CANADIAN NOTES

—The Bank of Nova Scotia, with a paid-up capital of $6,000,000 and a reserve fund of $11,000,000, has absorbed the Metropolitan Bank, which

has a paid-up capital of $1,000,000 and a reserve fund of $1,250,000. This merger reduces the number of chartered banks in Canada from twenty-four to twenty-three, and places the Bank of Nova Scotia fourth among these banks as to capital and reserve funds. This bank, which was chartered by the Dominion in 1832, has twenty-seven branches in Ontario, ninety-three in other Canadian Provinces, three in the United States, nine in Newfoundland, and twelve in the West Indies. Its head office is in Halifax, Nova Scotia. The Metropolitan Bank, which was chartered in 1902, has forty-two branches in Ontario and none elsewhere, the head office being in Toronto. Total assets of the Bank of Nova Scotia, after the merger is complete, will exceed $92,000,000.

—While it is common knowledge that the banks of Canada have rapidly grown in recent years, the following from a recent report of La Banque Nationale presents the growth of that institution in rather striking form:

Year	Offices	Deposits	Assets	Div. P. C.
1895......	11	$2,382,167	$4,467,812	..
1900......	16	3,931,336	6,668,146	6
1905......	29	6,753,109	10,535,744	6
1910......	63	10,782,970	16,288,390	7
1914......	141	18,719,984	25,983,239	8

—W. J. Ambrose, for the last two years manager of the Spokane, Washington, branch of the Bank of Montreal, has been appointed manager of the branch at St. John, N. B.

—A branch of the Royal Bank of Canada has been opened at Amherst and Ontario streets, Montreal.

—The annual meeting of shareholders of the Home Bank of Canada was held at the head office in Toronto June 30. Net profits for the past year were

$192,442.72, or ten per cent. on the paid-up capital. Additions to the rest account now make that item equal to one-third of the capital; $65,000 has been written off premises and a pension system established with $100,000 as a nucleus. Two new branches of the bank were opened in the course of the year.

GEO. LAMONTE & SON, New York, makers of National Safety Paper, in addition to the offices established for years in Philadelphia and Chicago, have recently opened an office in First National Bank Building, San Francisco, to handle their large and increasing business West of the Rockies.

Branches of Federal Reserve Banks

THIS MAGAZINE has several times pointed out that the cities failing to get a Federal Reserve Bank may find consolation in the fact that they will most likely be selected as places for locating branches of these institutions, and that these branches may do a very large business. In a letter to "The Economist" of London, Thornton Cooke, vice-president of the Fidelity Trust Company, Kansas City, Mo., emphasizes this view as follows:

"Your readers will understand the feeling of wounded pride that exists in cities that were unsuccessful in obtaining Federal Reserve Banks, but will not understand the feeling of apprehension that exists in the disappointed cities. Many of their bankers and business men really fear that the commercial and financial future of these places is threatened by the location of the banks elsewhere. Such fears are groundless. The fact that they exist at all is due to the lack of comprehension of the use of branches in a banking system. Branch banks, while not absolutely unknown in this country, are unknown in most of the States, and relatively unimportant in the others. Some New Orleans bankers seem actually to think that they will have to rediscount their paper in Atlanta, which has been selected as the location of the Federal Reserve Bank in that district. This is not at all the case. There will, of course, be a branch in New Orleans, and it will have all the functions of the parent bank at Atlanta. A New Orleans banker who finds that it is desirable to sell some of his paper to replenish his liquid reserve, will simply take it to the New Orleans branch of the Federal Reserve Bank and effect the operation there. The board of directors of the branch will, in fact, be somewhat closer to the clients of the branch than the directors of the parent bank will be to its clients, for the branch directors will naturally be chosen from the vicinity of the branch, while the directors of the parent bank will be located all over the district.

"These are commonplace observations to Englishmen, but to repeat, American business men are without experience or realization of the smooth and beneficial operation of the branch banking system. When they do realize it, the fear will disappear that the establishment of Federal Reserve Banks in twelve cities will hurt our other cities. If New Orleans, for example, is really the commercial and financial centre of its district, the New Orleans branch bank will soon be doing more business than the parent bank; just as, for instance, some of the Glasgow branches of the Edinburgh banks do much more business than is done at the head offices."

THE NEW EQUITABLE BUILDING, NEW YORK

OCCUPYING the block from Pine to Cedar street, and extending from Broadway to Nassau street, the new thirty-six story Equitable Building, which will be completed and ready for occupancy about July 1, 1915, takes rank as the world's greatest office structure. The Equitable Life Assurance Society will occupy three or four floors. The Empire Trust Company will have quarters on the first floor of the Broadway and Pine street corner, and other banking institutions have leased space in the new building, which is in the heart of New York's financial district.

THE
BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SIXTY-EIGHTH YEAR OCTOBER 1914 VOLUME LXXXIX, NO. 4

Unsound Expedients Generated by War

AMONG the countless brood of evils born of war few transcend unsound "money" in their capacity to inflict injury upon the human race. Paper "money" has been declared the great robber of all times and nations, and it is when war prevails that this evil grows to greatest bulk. The French Revolution had its crop of worthless currency; the Revolution which gave the United States independence brought forth a form of paper so good for nothing that it has passed into a proverb; the Civil War gave us the greenbacks, and we have them yet, though after more than half a century some of their evil features have disappeared through the growth of the country and increase of the gold stock; but the idea they represent—that of the intervention of the Government in the issue of the country's paper currency—remains one of the gravest financial fallacies of the day.

The European war paralyzed credit to such a serious extent that the existing forms of currency were found inadequate; and as heretofore under great stress resort was had to the printing press, whence have issued "clearing-house certificates," "emergency currency," and perhaps other various forms of "warehouse currency" yet to come.

But who shall presume to criticise either those who demand a resort to these palliatives or those who comply with the demand? Surely no one can fail to perceive that relief was sorely needed. The most that ought to be said is to caution those charged with the responsibility of action to proceed carefully and to avoid the expedients which experience has proved to be unsound.

Theoretically, a warehouse receipt for cotton may not constitute an ideal basis for securing currency, yet all who know the plight of the cotton planters must realize that the war has put upon this important class of producers a peculiar and heavy bur-

den. The grower of wheat may find the demand for his product increased and prices advanced, since wheat is readily converted into consumable form from its raw state and is largely required in time of war. But the grower of cotton, dependent for his market upon heavy exports in the raw state, finds his market largely shut off. Is it to be wondered at that he loudly calls for relief? The annual export of raw cotton runs in the neighborhood of $600,000,000, and our exports of cotton manufactures are about $28,000,000 a year. If we were capable of manufacturing and marketing the six hundred millions' worth of cotton sent abroad in the raw state, or even the greater part of it, our profits would be vastly larger than they now are. But we have not been able thus far, for some reason, to meet foreign competition in manufacturing cotton. We may get some of the markets lost to European nations on account of the war.

The gravest danger in yielding to the call for help from various quarters consists less in the temporary harm that may ensue than in the possibility that the expedients resorted to under the pressure of necessity may be invoked with more and more frequency until they become a fixed part of Governmental policy. This is the vice of an emergency currency. It works well in time of serious disaster, and this leads to its employment when the crisis is less severe until at last the "emergency" becomes perpetual.

Yet this may be taking the gloomy view. Perhaps the present resort to paper currency may teach us that the circulating medium of the country need not be so heavily backed by coin, leaving a larger share of the gold to support other forms of bank credit. However this may be, the country will be fortunate if it inherits no permanent legacy of unsound "money" from the European war of 1914.

UNTANGLING THE FOREIGN EXCHANGE SITUATION

WITH the breaking out of war in Europe the medium customarily employed in the payment of foreign obligations became unavailable. Foreign exchange presupposes the existence somewhere of credits against which exchange can be drawn. These credits chiefly arise from the movements of goods or from the proceeds of loans. When the exportation and importation of goods cease, and loans no longer are to be had, the

basis of foreign exchange becomes slender, to say the least. But that is not the worst of the situation caused by the war. Not only was foreign trade almost paralyzed and foreign loans unprocurable, but in some of the countries the payment of maturing debts was stopped. Besides, the countries at war quickly threw upon the markets the securities of the United States and other neutral nations, demanding payment for them.

In the absence of goods or "foreign exchange," payment could be made in gold only. Ordinarily, where a country's exchanges with other countries substantially balance, the remittance of the small sums of gold necessary to settle differences does not cause any serious concern. Usually maturing loans can be renewed, and not infrequently the act of renewal is taken advantage of and the original loan increased. The free play of economic forces tends also to preserve an equilibrium of foreign trade between countries on approximately the same levels of prosperity. Rich nations are not ruined in trading with other nations, even though such intercourse may involve an "unfavorable" balance. The stoppage of foreign trade and the closing of loan markets render it extremely difficult for nations to meet their outside obligations, and no nation is rich enough to meet offhand the large demands for gold which such a situation occasions.

What is to be done at such a time? The United States can do as some other countries have done under like conditions—refuse to pay. The war is not of our making, so why should we bear these heavy burdens? That such a course might prove of temporary advantage cannot be doubted. But would our credit not be damaged and in the long run an even heavier demand be made upon us? If we pay now, American securities will not be the first to be thrown overboard, but they will be held as long as possible because of the prime character of security they afford.

It is admitted that because of the falling off in exports, the sale of our securities for foreign account, the maturing of obligations and the closing of the European loan markets to American borrowers, we are probably indebted to London and Paris to a considerable extent, and that in the absence of the customary means of settlement, heavy shipments of gold will have to be made.

What is the amount of this indebtedness? Steps have been taken by the New York Clearing-House Association to give a fairly accurate answer to this question after certain investigations have been completed. If the sum of gold necessary to settle our foreign debt is, say, $150,000,000, the New York banks—upon which the demand would fall—could not safely spare such a sum out of their already depleted reserves. Realizing this fact, a conference was held in Washington on September 4, attended by rep-

resentative bankers from all over the United States, and full consideration was given to this problem. The plan most favored seemed to be the formation of a gold pool or syndicate to furnish the required gold by contributions from banks all over the country. Working out of details of the plan was entrusted to a committee composed of James B. Forgan, president of the First National Bank of Chicago, as chairman, and these other members: Benjamin Strong, Jr., president Bankers Trust Company, New York; L. L. Rue, president Philadelphia National Bank; Sol Wexler, president Whitney-Central National Bank, New Orleans, and Thomas P. Beal, president Second National Bank, Boston. This committee was to work out a plan and present it to the Federal Reserve Board.

As a result of this step the lock-up in the foreign exchange situation will be somewhat relieved, and further relief will be afforded by the action of a syndicate of New York bankers, headed by J. P. Morgan & Company, in providing a loan of $80,000,000 to meet the foreign debt of New York city maturing in January.

The action of the bankers of the country in taking a united stand to protect public and private credit is in keeping with the patriotism shown in previous national crises. This action will go far toward preserving confidence and improving the situation generally. Renewal of grain exports and the gradual restoration of our sea-borne commerce will also help normalize exchange conditions, but it may be a good while before we get back to an easy position. As pointed out elsewhere, the situation with respect to South and Central America would be eased were our banks in a position to make loans to those countries.

THE NEW SPIRIT OF CO-OPERATION

WHETHER the European conflict ends speedily or drags on for a long time, the United States will suffer grave losses as a result of the struggle. Two or three of the great combatants have long been the largest buyers of American products. They cannot buy so much now nor for a long time to come. Moreover, some of our foreign customers cannot pay us what they already owe. We have also lost, for the time being at least, our ability to borrow money abroad, or to renew loans falling due. The derangement of credit has been world-wide and this has hurt us, if not so seriously as it has other countries, still all we care to bear. Prices have been put up because of the war, our

revenues have fallen off, necessitating an increase of direct taxation, and many serious losses and inconveniences occasioned. All this refers to the purely material devastation wrought. The destruction of other kinds is even more appalling. Nor will this ravage be repaired for long years to come. Men will toil and save almost endlessly before the world will be again where it was economically when the war broke out. Probably the value of the lives lost and the property annihilated may never be replaced, and the world will always be the poorer because in the midsummer of 1914 reason gave way to force as a means of settling international differences.

Here in the United States there is just one thing that serves to lighten to a slight extent the gloom of the picture drawn above. For a number of years we have had an angry discussion of the relations between capital and labor, and more especially between the Government and large business units. This dispute has gone to such lengths as to arouse deep concern among thinking and patriotic Americans. The assertion has been frequently made, though perhaps it was an exaggeration of the true state of affairs, that the country was upon the brink of revolution. That there was a feeling of increasing tension, and in the direction of bitter hostility, no one can doubt.

It would perhaps be too much to say that the European war has allayed this antagonism altogether, but there can be no question that much of the hostility has disappeared under the manifestation of readiness on the part of everybody to bear a share of the hardships the conflict has imposed upon us all.

The glib denunciation of the railways, of successful business, that once was received with willing ears now sounds painfully out of place. But yesterday the great directors of banking and enterprise were looked upon as public enemies; to-day they are called in the closest consultation with the people's representatives to devise means of tiding the country over this grave emergency. And they are showing an unselfish devotion to the welfare of their country and of every section of it.

This splendid demonstration of the value of coöperation between the Government and all the people can hardly be lost upon our shrewd and intelligent population, and very likely for a considerable period the fierce hatreds of the past will be much softened.

If the disasters brought upon us through the European war serve to bring home to our people the fact that those engaged in production, transportation and exchange, and even those to whom is entrusted the administration of our huge governmental machinery, are not necessarily enemies whose interests are adverse to

one another but friends whose coöperation may work to the common good of all, then these disasters will not have been in vain.

ADDITIONAL REVENUE NEEDED

APPEARING before Congress on September 4 President Wilson called for legislation to provide an additional revenue of $100,000,000 per annum to meet the loss of customs receipts caused by the falling off in importations due to the European war disturbances. The President pointed out that in the present situation the Treasury was relied on to assist in preserving public confidence and that it was therefore especially desirable that the Treasury be kept strong in its cash resources. He said that while about $75,000,000 of Treasury funds was now on deposit in the banks, the withdrawal of this sum, under the circumstances, would be most unwise. He also said that to sell bonds would make a most untimely and unjustifiable demand on the money market.

"These are not the circumstances," said the President, "this is, at this particular moment and in this particular exigency, not the market to borrow large sums of money. What we are seeking is to ease and assist every financial transaction, not to add a single additional embarrassment to the situation. The people of this country are both intelligent and profoundly patriotic. They are ready to meet the present conditions in the right way and to support the Government with generous self-denial. They know and understand and will be intolerant only of those who dodge responsibility or are not frank with them.

"The occasion is not of our own making. We had no part in making it. But it is here. It affects us as directly and palpably almost as if we were participants in the circumstances which gave rise to it. We must accept the inevitable with calm judgment and unruffled spirits, like men accustomed to deal with the unexpected, habituated to take care of themselves, masters of their own affairs and their own fortunes. We shall pay the bill, though we did not deliberately incur it."

The country will, of course, give ungrudging support to the President in providing the funds necessary to keep the Treasury in a strong position. Of the wisdom of such a policy there can be no question, and the President is right in saying that the situation should be met by taxation rather than by a resort to the easier method of borrowing.

Of course, when the details of this fresh taxation are considered, there may not be complete agreement, but the country will bear uncomplainingly the taxes which the European conflict has imposed, and as the President says, "We shall pay the bill, though we did not deliberately incur it."

EXTENDING OUR TRADE WITH LATIN AMERICA

THE curtailment of German and British exports to South and Central America, on account of the war, has freshened the interest of our own manufacturers and merchants in capturing the trade which these and other European countries have lost.

It must not be forgotten, however, that while the war has deprived Germany and England of their capacity to sell goods to Latin America it has also deprived the latter section of the world of a large share of its buying power. Not only has South America found its own exports cut off materially, but what is perhaps equally serious, the stream of European capital to that region has stopped.

For new countries undergoing rapid development foreign borrowing is an essential to continued prosperity. Great Britain, France and Germany have been heavy lenders both to the governments and to individual or corporate enterprises in Brazil, Argentina, Chile and other South American countries. The loans thus made did not necessarily go in the form of money, but in that of commodities—material for building railways, equipping electrical plants, etc. But the war has interfered with this process.

Are the financial interests of the United States in a position to furnish any considerable portion of the South American borrowings heretofore obtained in Europe? This is a very important question, and upon its answer will depend, in a measure, the increase of our trade with Latin America at this time. We lack those direct banking relations with the neighboring nations which would make this problem of southern trade extension an easier one than it is under existing circumstances. A beginning in this direction has been made by a New York bank in opening branches in important trade centers in South America, but there are no doubt many other points, particularly in Mexico, Central America, and in some of the smaller countries of the southern continent, where the large national banks of New York, Boston, Philadelphia, Chicago, St. Louis, San Francisco and other cities would find it profitable to extend their operations.

SECRETARY McADOO CONDEMNS CURRENCY INFLATION

GREAT pressure has been brought upon the Administration to resort to all sorts of schemes for inflating the currency. Against these proposals the Secretary of the Treasury has taken a decided stand. At the cotton conference in Washington, August 25, replying to a proposal of Representative Sisson of Mississippi for issuing State bank notes, Secretary McAdoo said:

"I am not old enough to know what happened prior to the Civil War, but I do know this from history—and we cannot ignore history—that before the National Bank Act was passed every man to whom a circulating note was offered in payment for anything had to get the Secret Service, or a detective agency, or a commercial agency, or something of that sort in motion, to trace up that issue and ascertain whether or not it was worth anything; and if you are going back to the day of wildcat State issues of currency you will destroy the whole financial fabric of this country. I make this statement, gentlemen, because I think it is important that it should be understood now.

"Enough power exists in the Secretary of the Treasury to-day to issue more currency than you can ever use to finance the cotton crop and all the other crops in this country. If you will pardon me for a moment, I think it is important to clarify the atmosphere. You cannot issue such currency, anyway, so what is the use of talking about it? Let us get down to a practical basis and try to solve these problems.

"There is enough currency authorized by law to-day to wreck the United States of America, and the danger in this situation is that by ill-considered views and ill-considered actions we may put out so much inflationary paper money that we will ruin the country. You gentlemen must remember that the issuance of currency is not Government money. The Government has not got money that it is going to hand out to anybody. The only money in the Treasury of the United States to-day is the gold fund, the surplus over and above its liabilities, amounting to about $130,000,000, and that is none too much to enable this Government to carry on its business and to take such reasonable measure of protection for the general interests of the country as the use of any surplus part of that fund may enable it to do.

"The issue of currency that you are speaking of is currency issued to the national banks of this country upon live assets, and

even that currency cannot be issued with safety unless those banks put behind it a fair measure of gold reserve, because, after all, in order to get a safe basis of credit and a safe basis for the conduct of the business of the country, you must have a metal base behind this currency proposed to be issued, and therefore the law imposes the duty on the Secretary of the Treasury of requiring that a gold redemption fund, not less than five per cent., shall be put behind this identical currency, and that at any time when it becomes necessary in his judgment to require an increase of that redemption fund he shall exact it, and that is exactly what he is going to do. So long as he has power to deal with this situation he intends to see that all these currency issues are safe, because I tell you, gentlemen, you cannot bring upon this country a greater disaster than an inflation of currency to a point that is going to wreck the whole fabric of credit."

While the State bank notes were by no means all bad, their quality did reflect the varying ideas prevailing in the respective States regarding the security upon which bank circulation should rest. Since these notes were taxed out of existence there has been an advance in financial education, and no doubt if the issue of such notes were again permitted their quality would be better than in the old days. But the era of the State bank note, with the growth of communication, has passed away and a homogeneous bank currency is now demanded. It is utterly futile to think of going back to a form of currency issued under varying State laws.

Secretary McAdoo spoke forcefully and truthfully in condemnation of those who seem to think the Government has "money" to hand out to anybody needing it. His denunciation of inflationary schemes was as sound as it was patriotic and timely.

DEFENDING THE BANKERS AGAINST LEGISLATIVE HOSTILITY

LAST month, under the title of "Important Work for the Bankers Associations," we published some opinions from representative bankers showing that in legislative matters the banker has very little influence. The gentlemen whose views were given were: James K. Lynch, vice-president of the First National Bank, San Francisco; Elliott C. McDougal, president of the Bank of Buffalo and former president of the New York State Bankers Association; Montgomery Evans, president of the Pennsylvania Bankers Association; Frank A. Vanderlip, presi-

dent of the National City Bank, New York, and Arthur Reynolds, president of the Des Moines National Bank, and president of the American Bankers Association. Mr. Reynolds said:

"The banking interests of the country are continually and unfairly attacked by the proponents and advocates of our recent forms of theoretical and scholastic legislation relative to business. They have been prejudiced in the public mind and unjustly prejudged. It is the duty of the bankers to combat this prejudice and mold correct public opinion regarding the true relations of the banks to the business public. * * * This means an active participation by every banker in a campaign of education."

The great organization over which Mr. Reynolds so worthily presides is composed of over 14,000 banks, representing all parts of the country. This association has an annual income of something over $230,000. Let us see how this revenue is principally employed. Turning to the treasurer's financial report for the fiscal year ending August 30, 1913, it is seen that the chief items of disbursement were:

Salaries, general offices	$24,983.84
Publishing and distributing annual proceedings	18,446.32
Journal-Bulletin of the American Bankers Association	20,420.00
Legal department	18,361.19
Standing protective committee	65,340.00

There are a number of other items, bringing the total disbursements up to $238,841.40.

It will be noticed that the second and third items given above, representing an aggregate of over $33,000 annually, represent an expenditure for conveying information to bankers themselves; and yet it seems to us that if the campaign of education which Mr. Reynolds advocates is to be effective in molding correct opinion regarding the true relations of banks to the business public, it must furnish information not to bankers alone but to the community at large.

The expenditure of $65,000 annually in the work of the standing protective committee no doubt represents one of the most popular and valuable features of the American Bankers Association's activities and yet it may well be questioned whether the burglar and forger have cost the banks anything like the losses inflicted upon them by the public hostility of which Mr. Reynolds speaks, and which the demagogue in Congress and in the legislature assiduously cultivates for his own profit.

BANKERS have complained of the hostility toward their business which appears in almost every line of the new Federal Reserve Act. But what did the bankers do to educate public

opinion on this subject? Running the eye a little further down the financial report from which the figures given above were taken, these items are found:

Currency commission	$2,204.98
Federal legislative committee	362.56

In other words, while the American Bankers Association expended in 1913, for the purposes named in the table first presented, more than $137,000, for the work in securing legislation on the most important matter in its relation to banking that has perhaps ever come up for discussion and action in Congress, less than $3,000 was expended.

Is it any wonder that Congress handed to the bankers of the country the Bryanized Federal Reserve Act?

NOTHING that has been said is in the least intended to reflect upon the work of the American Bankers Association. That organization, as well as the various State bankers associations, has done sterling service in behalf of sound banking and currency legislation, and the various addresses made have not only dealt with this subject most forcefully and ably but have also given valuable information regarding the relations of banks to the public welfare.

But these addresses have been made to audiences of bankers, and the circulation of literature undertaken by the association has also been for the enlightenment of the banker, although he was surely the one who least needed instruction.

The prejudice against bankers of which Mr. Reynolds justly complains will never be removed, and the banking legislation of the country will never be shaped in accordance with sound banking and currency principles until a better knowledge of these subjects and a clearer understanding of the relations of banks to the public welfare shall have been widely and continuously disseminated among the voters of the country. We hope that in summoning the bankers of the United States to the task of engaging in this work of education, Mr. Reynolds may find a ready response from the membership of the American Bankers Association.

The Functions of Centralized Banking

By CHARLES A. CONANT

NOW that the United States has followed other countries, in a somewhat halting fashion, in the adoption of a system of centralized banking, it becomes of importance to the public, as well as to the administrators of the new law, to obtain a clear idea of the scope and functions of such a system. Much has been said from time to time in behalf of the law which indicates a disposition to expect more from it than is likely to be obtained. Even if completely successful in its proper field, of giving flexibility and sufficiency to short-term credit for commercial purposes, the law will affect only in a way very indirect the market for investment credit for long terms. If there has been coolness on the part of "the money trust" in times past towards promoters from remote parts of the country with bonds and stocks to sell in new enterprises, there will be equal or greater coolness towards the same persons by managers of the new Federal Reserve Banks, because the law declares that its definition of the paper which these banks may accept for discount "shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States."

The new system relates, therefore, exclusively to what is called "commercial credit," running for short terms. In this respect it conforms essentially to the centralized banking systems which have grown up in European countries as the result of modern experience. What are the functions of a centralized banking system, as developed by this experience, it becomes worth while, therefore, to consider.

THE concentration of credit in large institutions which has marked the banking development of the past generation has been a logical consequence of machine production and railway and ocean transportation upon a large scale. It was no longer possible, after this evolution, for the producer to determine with accuracy the character of the demand for his product, when he was producing upon a large scale for distant markets; and it was no longer possible, therefore, for the purely local banker of limited resources to exercise good judgment in determining the amount of credit to be extended to such enterprises nor to furnish the full amount of credit required. It became necessary for the banker lending to large enterprises upon a scale corresponding to their magnitude to possess information regarding world markets and to distribute the risk of loans made in large amounts.

In the process of the issue of bank-notes also local limitations soon ceased to be satisfactory or even tolerable. As bank-notes were to circulate freely as substitutes for money, it was necessary that they should possess the characteristics of uniformity and adaptability to public convenience. Public safety and convenience could not be served under a system which required the taker of a note to be personally informed regarding the standing of numerous local banks of issue. Hence arose in England and in France early in the first half of the nineteenth century a general demand for the concen-

tration of the power of note issue. In these countries important banks already existed—the Bank of England and the Bank of France—having some of the essentials of the system of central banking of later date. Neither of these institutions, however, possessed a monopoly of the power to issue notes, nor any recognized general authority over the credit situation, nor any binding obligation to protect the gold stock of the country. These obligations were recognized and crystallized to some extent in England by the bank act of 1844, which gave to the Bank of England control over future issues of bank-notes and provided for the gradual elimination of the issues of private banks, and in France by the law of 1848, which consolidated the ten departmental banks with the Bank of France.

The example thus set by the two leading commercial countries of Europe, of creating a central banking authority with monopoly of the power to issue notes and with general control over the foreign exchanges and the gold stock, was gradually followed by other countries. The process of the movement, however, was determined in some degree by the importance of the countries and their relations to the international money market and was not completed in Europe until the beginning of the present century, when Sweden under a law of 1897 made provision for the transfer of the circulation of the local banks to the Royal Bank before the close of 1905, and Switzerland, after many unsuccessful experiments at coöperation among the cantonal banks, set a central bank in operation in 1907.

THE functions of central banks as developed in Europe are generally recognized to involve at least four important phases:

1. A monopoly of note issue which shall afford uniformity in the paper circulation and a sufficient stock of gold to ensure absolute confidence in the notes.

2. The power, by the rediscount of commercial paper for other banks, to place at their command in the form of notes any amount of currency which may be reasonably required in periods of business activity, financial stress, or even of panic.

3. The maintenance of a surplus stock of gold, above what is merely sufficient for the protection of the normal note issue, for the purpose of protecting and increasing the rediscounts granted to other banking institutions.

4. The obligation to forecast conditions in the national and international money market and to assume such moral leadership in times of stress as will tend to maintain economic stability and protect the national stock of gold.

In the exercise of these functions, the central bank of issue should be operated in a different manner and under different motives than other banking institutions, whether private or incorporated. Its functions may be exercised less actively than those of other institutions at times when credit is easily obtainable and discount rates are low. At such times many of the central banks of issue in Europe see with equanimity business drawn away from them by a rate of discount in the open market lower than their own official rate. It is only when the managers of the central bank have occasion to fear undue expansion in relation to available credit resources, or when they believe that the gold stock of the country needs protection or replenishment, that they become active factors in the market. This policy involves two corollaries—that the central banks are not active competitors of other banking institutions in times of tranquillity; and that they are not conducted exclusively with a view to profits for their shareholders. Typical of the first point was the declaration of

the Governor of the Bank of France in 1908:*

"The part which the Bank of France plays towards the private establishments permits the latter, as has many a time been proved, to reduce to a minimum their cash reserves, and to devote, without exceptional risk, a larger part perhaps than elsewhere to productive commercial operations."

Typical of the second influence which now governs the administration of central banks of issue is the growing proportion of their net earnings which is required at each successive revision of their charters to be paid into the coffers of the State. Thus, by the revision of the charter of the Imperial Bank of Germany in 1909, after the shareholders are allotted a dividend annually of three and a half per cent., and certain proportions of the earnings are added to the surplus funds, three-quarters of the remaining profits are covered into the public treasury; and in France, by the revision of 1911, one-seventh of the earnings upon discounts, when the rate is above three and a half per cent., is paid as a tax to the public treasury, and a growing proportion with the rise of the discount rate, until a rate above five per cent. compels the payment to the State of three-fourths of the added profits.

I. THE FUNCTION OF NOTE ISSUE

IN spite of these limitations upon their activities, the central banks continue to exercise, both in periods of stress and when there are no indications of monetary disturbance, the first of the three important functions named above—that of note issue.

The supply of an adequate medium of exchange is still a very essential part of the mechanism of money and credit, even in those countries where the settlement of obligations has come to be made largely in checks and other credit instruments. For ordinary purposes of retail trade, notes continue to be an economical and efficient element in the circulation, and in most countries where they have been largely issued they have come to be preferred to gold. Their use can only persist, however, where public confidence in the notes is implicit or where coin has been driven from circulation under the operation of Gresham's law. The function of note issue upon a large scale can be exercised with safety and convenience only by a central institution with great resources, or by some such clumsy effort to secure safety and uniformity as that made in the United States under the National Banking Act of 1864, by requiring a deposit of United States bonds for the full amount of the note issue. Under the latter plan, which is now about to be superseded by the provisions of the Federal Reserve Law, uniformity and security are obtained at the expense of elasticity. It is not necessary for the holder of a national bank-note to concern himself with the solvency or the character of the individual bank issuing the note. The national bank-notes of the United States are in fact, though not in name, a centralized issue of uniform character, assuming the function of a local issue only in the sense that the name of the individual bank which has deposited the requisite bonds to secure its circulation is printed upon the notes.

The bank-note, in its original form, was issued by local institutions and had only a local circulation. With the development of means of communication and industry on a large scale, the system of local note issues naturally presented inconveniences. Even if the issuers were entirely solvent, and their notes were well secured, it was difficult for the ordinary banker or merchant to keep informed as to the standing of local banks. In periods

*"Interviews on Banking and Currency Systems," National Monetary Commission, 1910, 61st Congress, 2nd Session, Senate Document 405, p. 201.

of crisis or of special distrust, discredit was cast much more quickly upon the issues of small institutions than upon those which were large and well known. In the panic of 1825 in England, there was a marked tendency on the part of the holders of country bank-notes to present them to the Bank of England for exchange into Bank of England notes. Mr. Vincent Stuckey, an eminent country banker, explained the situation thus:

"My opinion was that the crisis at that time was brought on by excessive issues; but, when the panic came, country bank paper was brought in for Bank of England, and therefore, all that was wanted immediately was an exchange of paper. I stated, in a letter I wrote upon the subject to the bank on the 14th of December, 1825, that they would not have to increase the sum total of circulation, but all they would have to do was to exchange A for B; and in my letter I recommended them to issue a million a day, which they did: for otherwise, most of the banks in London, as well as the country, must have stopped."

A similar tendency to exchange the notes of weaker banks for those of a stronger institution was disclosed in Mexico under the influence of the crisis of 1907. The National Bank of Mexico was sufficiently strong to extend credit in unusual amounts to commercial interests which were in need of it. The State banks, on the other hand, were generally compelled to curtail discounts and thereby to diminish their outstanding note issue as notes were received either on deposit, for direct redemption, or by clearings through the Banco Central Mexicano—an institution which was not a bank of issue, but was organized by the State banks to aid in clearing both notes and checks. The effect of these operations was most marked during the eleven months between July 31, 1907, and June 30, 1908. The total circulation of bank-notes in Mexico fell from $96,147,427 to $92,253,293; but the issues of the National Bank increased from $35,766,709 to $39,479,934, while the outstanding issues of the other banks had fallen in corresponding proportion.

It is one of the most important functions of the banking mechanism, therefore, to supply a medium of exchange through its notes which will economize the use of gold in circulation and will be of such a character as to inspire, even in times of crisis, the same implicit confidence as gold money. Experience has shown that such a form of circulation can be issued to the best advantage by a central banking mechanism, having sufficient resources and commanding sufficient confidence in the public mind to be equal to any demands which are made upon it.

II. THE POWER OF REDISCOUNT

THE ability to issue notes based upon commercial assets serves two purposes. Primarily, it supplies a large part of the medium of domestic exchanges, in the manner already set forth. In periods of unusual demands for credit it has the further advantage that it endows the bank with a means of granting credit which does not belong to other banks, except as private capital is voluntarily brought to them for deposit.

This is the overshadowing merit of the new Federal Reserve Act in the United States, which commends it to the banking community in spite of their objections to details. It is this feature which permits the extension of credit upon sound business assets, without arbitrary limitations, and makes impossible a currency panic such as occurred in 1907, so long as the central banking mechanism is solvent. Under the provisions of the law in this respect, good commercial paper may be presented for rediscount at a Federal Reserve Bank by any of its member banks; and if there is a demand for currency, the redis-

count may be made in the form of the notes of the Federal Reserve Bank. A member bank is no longer restricted, therefore, in its power to extend accommodation to its clients by the limits of its own cash reserves, but may obtain currency from a Federal Reserve Bank by the process of rediscount; and a Federal Reserve Bank is restricted in its capacity to make rediscounts only by its command over a sufficient amount of gold to meet the somewhat flexible requirements of the law in respect to its own reserves.

From such provisions arise the advantages of the power of note issue in times of crisis. So long as the public are willing to employ bank-notes to discharge their liabilities, either in the retail operations of daily life or in the settlement of contracts, so long the interruption of other parts of the credit machinery is offset and corrected. The remarkable characteristic of a bank of issue is that, within the limits of public confidence and the demand for currency, its ability to issue notes is unrestricted and indefinite. This has proved "a hard saying" for those, on the one hand, who fear inflation and an *ignis fatuus* of hope for those, on the other hand, who believe that the power to create money is the power to create capital. Even for staid and sober bankers, the principles involved have emerged slowly from the crucible of experience, and the means of confining this mighty engine for converting one form of credit into another, and of borrowing capital from the public, within safe limits, have been learned only after many explosions.

The manner in which the note-issuing function is exercised in a sound and normal manner is in the issue of notes in exchange for commercial paper arising out of commercial transactions for short terms. The need for such issues is chiefly to fill a vacuum caused by the inability of individual borrowers to negotiate their credit instruments with the usual facility. This condition is often due to the interruption of the flow of credit caused by the failure of the retailer to sell goods within the time in which his obligation falls due and his consequent inability to deliver a credit instrument in the form of a check, based upon his sales of goods, in settlement of his maturing commercial paper.

Whether the interruption to the flow of credit is only temporary, or becomes permanent through the bankruptcy of one of the parties, is a question between the borrower and the bank originally making the loan. Where the paper reaches the central bank of issue only for rediscount, the loss, if any occurs, falls back upon the bank seeking the rediscount, and not upon the bank of issue. For the moment, however, the resources of the central bank for the issue of notes are of the highest utility not merely to the individual borrower, but to the bank which makes the original discounts, because the latter is able thus to obtain currency to meet demands upon it without drawing unwarrantably upon its own cash resources. So far as the issue of notes in excess of the usual ratio is abnormal, it represents only the power of the bank of issue to borrow from the holders of its notes to a larger extent than usual, because other forms of credit are less negotiable than usual, and the note represents a form of credit in which everyone has confidence, even for the purpose of hoarding.

It is this seeming ability to increase issues at will which gives an appearance of magical power to the note-issuing function and apparent support to the theory that the bank has created new capital. But, in fact, by the issue of notes, the bank simply delivers to the person who has presented paper for discount (or who has obtained by various means a deposit credit with the bank) a new form of promise, in exchange for his own instrument. The fact that all its issues not covered by the metallic reserve are made in exchange for forms of credit which rest upon commercial transactions gives a normality and soundness to the security behind the notes issued

which is impaired where they are issued without such security. This explains why notes issued by a bank and loaned to the Government lose much of their flexibility and safety, even though they are secured by the deposit of Government obligations. Such issues tend to inflate the circulation because they do not enter it in response to any commercial need, or with any reference to the amount of notes required by the volume of business, whether that volume is restricted or inflated.

The miracle of the power of note issue which deluded John Law, and has deluded others in more recent times, was the seeming ability of the bank to create capital by simply stamping and issuing its paper promises. At first blush, it might seem that the possession of this function by the bank negatived the rule that the volume of credit is limited by the supply of capital. So far, however, as notes are issued in exchange for commercial paper discounted, it is obvious that the process of excess issues in periods of stress or panic does not differ essentially from the more restricted issues which are made in discounting commercial paper under ordinary conditions. The difference is that commercial paper which would ordinarily be discounted at other institutions is presented to the bank of issue, either directly or for rediscount, in larger quantities than in times of greater tranquillity.

III. THE FUNCTION OF THE METALLIC RESERVE

THE grant to a single institution of the monopoly of note issue imposes upon that institution a much graver responsibility than if the privilege were shared with others. It affords to it, however, the opportunity to accumulate under a single control the reserves in coin which are commensurate with its responsibilities; and these responsibilities, as already pointed out, extend much beyond the redemption of its own notes and include the obligation to support credit by the policy of rediscount. In the early history of European banks of issue the ratio of the metallic reserve to the outstanding volume of notes was sometimes subject to criticism, especially where the ratio of silver to gold caused apprehension by reason of the decline in the value of silver. This relative deficiency in the reserve, however, was one of the incidents of the transitional stage in the use of paper credit, before the growth in capital permitted the investment of adequate amounts in the tools of circulation. When capital was relatively deficient, it was difficult for the poorer countries to retain a sufficient amount to constitute an adequate gold coinage or even an adequate metallic reserve against their issue of paper currency. With the great accumulations of capital in recent years, the surplus available for such uses has become greater, and at the same time the development of other forms of bank credit has tended to limit the field for the issue of notes, without dispensing with the necessity for coin as a reserve against deposits and similar liabilities.

When gold seemed to be relatively scarce, or when the creation of note credit was severely hampered, as under the English bank act of 1844, a stimulus was given to the creation of other forms of credit transfer, like the check, the draft, and the bill of exchange. How far such economies might have been carried if large additions had not been made to the world's gold stock can only be guessed at; but concurrently with expansion in the volume of commercial operations has occurred since 1893 an increase in the stock of gold available for money which has up to a recent date more than kept pace with the expansion of credit and the increase in the volume of transactions. From this cause, according to some economists, has arisen the rise in prices which was a marked feature of the period from 1898 to

1912. Without entering into the merits of this question, it may at least be fairly concluded that the increase in the gold stock has contributed to strengthening the reserves of the leading banks of issue and has put them in a much better position to sustain a large volume of notes and other forms of credit than was previously the case.

The nature of the obligation imposed upon the banks of issue has been changed, however, by the fact that they have come to be recognized as the custodians of the metallic reserve for the entire country in which they are established. Having this great mass of gold in their custody and having in their keeping the means, through the issue of notes, for transmuting credit without definite limit into currency, they have become not merely the keepers of their own reserves, but the keepers of the real reserves of other banks. In England the joint-stock banks usually fuse into one item "cash on hand and at the Bank of England," thus treating a deposit account at the central institution as the equivalent of sovereigns or at least of bank-notes. In France, a substantially similar item appears in the balance sheets of the Crédit Lyonnais and the other large credit societies. In these countries, there is no legal requirement as to the proportion of reserve to be held against liabilities. In the United States, however, the proportions of cash deemed necessary to safe banking are rigidly fixed by law. Under the Federal Reserve Act, these proportions are reduced for local banks, in order to concentrate the real reserves in the twelve institutions created under the new system, and the local banks which are members of the system are required at the end of three years after the creation of the Federal Reserve Banks to keep on deposit with these banks approximately one-half of such reserve funds as they are then required to hold.

The salient features of banking progress during the past generation has been the growth in the deposit liabilities and the resources of the banks outside the central banks of issue and the added burden which this has imposed upon the central banks by their function as keepers of the ultimate reserves which protect this mass of liabilities. Only a half view of the position of the Bank of France, for instance, is obtained by comparing its reserve of 61.5 per cent. in gold at the close of 1913 with its note-issue liability of 5,713,600,000 francs ($1,103,000,000). To ascertain something like the true liability, account must be taken of the nearly 5,000,000,000 francs of deposits and creditor current accounts in the Crédit Lyonnais and the other four principal joint-stock banks. In Great Britain also, the fact that the Bank of England had a reserve in gold at the close of 1913 of £33,874,000, equal to 114 per cent. of its note liabilities, and a banking reserve of thirty-three per cent., affords but a partial reflection of its real liability. Piled upon these limited obligations is the moral and financial responsibility for deposits in the banks of the United Kingdom amounting to more than £1,000,000,000, against which there is held by these banks a reserve in cash and funds in the Bank of England of about £150,000,000.

In the United States the deposit liabilities of commercial banks (not including savings banks or deposits between banks) were about $12,605,000,000 at the date of the last reports to the Comptroller in the summer of 1913. Of this amount the national banks held a little less than half, or $5,953,500,000. The reserve which they will be required to have on deposit with Federal Reserve Banks, when the new system is fully operative, will probably average about seven per cent., which will amount to $416,700,000. This will be entirely in cash until it begins to be paid out for rediscounts; but even if it should constitute a ratio of reserve of sixty per cent. against an outstanding note issue of about $695,000,000, it is obvious that it would not be an excessive proportion of the great total lia-

bilities of the banking system of the country.

When the Federal Reserve Act, therefore, sets up for the Federal Reserve Banks a reserve requirement of forty per cent. against notes and thirty-five per cent. against deposits, these limits are not to be looked upon as the normal ratio of reserves to be kept, but rather as an "apprehension minimum." Just as national banks, under the old requirements for fixed legal reserves, began to take precautions when their reserves fell to near the legal limit, the Federal Reserve Banks should take energetic measures to strengthen their reserves against notes when they give indications of declining towards forty per cent. There should be this difference, however, in the policy of the Federal Reserve Banks——that, as they do not live to themselves alone, they should keep in times of financial tranquillity reserves sufficiently large to be able to grant rediscounts freely in periods of stress without impairing their own legal reserves. To this end a reserve of sixty per cent. against notes and perhaps fifty per cent. against deposits should be the ideal of normal times, rather than scraping along with the legal minima of forty per cent. and thirty-five per cent. Only by this policy can the reserve banks prevent the outflow of surplus gold, as their own notes are gradually substituted for gold certificates in the circulation, and only thus can they husband gold for the time when it will be needed to support rediscounts and fill the vacuum of shrunken credit.

IV. MORAL LEADERSHIP OF THE CENTRAL BANK

IT is now recognized in Europe that the function of the central bank is to maintain unimpaired a gold stock much in excess of the demands of ordinary business, even at the sacrifice of profits, and to exercise all necessary powers in the money market to protect it. This view, however, has not always been held. It has been an evolution from conditions, which in the case of the Bank of England was not clearly accepted until the panic of 1866 and was even then disputed by so prominent a financier as Mr. Thomas Hankey, an ex-Governor of the Bank of England. Even as late as 1878, Mr. Hankey objected to a proposal then made, that the power of the Chancellor of the Exchequer to suspend the Bank Act of 1844 should be defined by law in such a way as to permit suspension in periods of crisis. Mr. Hankey declared:*

"The knowledge that there is a statutory power for such an object would induce and confirm a belief already too prevalent that if the commercial world acts imprudently by an excess of speculation, there are means by which the naturally injurious consequences may be averted; and then when all the resources of loanable money have been exhausted, a system of credit can be introduced which will supply the place of that capital by which all prudent commerce should be regulated. Moreover, I cannot conceive anything more likely to encourage rash and imprudent speculation."

This criticism would be well directed if it were the policy of the central banks, vested with special powers of note issue, to encourage the speculative expansion of credit by making large rediscounts during periods of commercial activity and confidence. Banking experience has impressed strongly, however, upon the managers of European banks of issue that rediscounts should not be granted freely during periods of expansion; that large reserves should be allowed to accumulate; and that the employment of unusual resources to aid the market should occur only after the impossibility of further expansion is clearly recognized. The evil of panics has not been merely the collapse and dis-

*"The Principles of Banking," Preface, p. xiii.

appearance of speculative enterprises, but the momentary inability of sound and solvent houses to obtain accommodation. It is the protection of such houses which is the object of the central banks, and gradually the methods have been evolved from banking experience of affording such protection without encouraging further expansion. After the Bank of England had courageously and adequately met the conditions of the crisis of 1866, the Governor of the bank at that time, Henry Lancelot Holland, in an address to the directors, laid down the following principle:

"We could not flinch from the duty which we conceived was imposed upon us of supporting the banking community, and I am not aware that any legitimate application for assistance made to this house was refused."

The development of banking in England since 1860 has tended to confirm this principle—that the Bank of England must accept responsibility as the fulcrum of the entire banking system. In the Baring crisis of 1890 there were demands in some quarters that the Government should intervene, but the occasion only required banking leadership, and how it was met was thus described by Viscount Goschen:

"That wise lead was given by the Governor of the bank. What you want on these occasions is a lead—you want a man. You want a man to come forward and say, 'You all must do your duty.' There was a possible temptation to the banks, each one to look to itself and to aggravate the crisis by calling in all its money, by refusing accommodation to customers, steps which would have intensified the existing anxiety. But the temptation vanished in a day; it vanished when it was powerfully put to the various banks and financial institutions—Here is an occasion when, putting aside any timid counsels and isolated action, you must come forward to endeavor to rescue the credit of London, not only to save a firm, but to save the supremacy of British credit."

The principle that the executive head of a central bank of issue is responsible for the general soundness of the financial situation is now accepted both in England and on the continent of Europe. It was the Governor of the Bank of England who called together the heads of the London private banks in 1901 to warn them against any further acceptance of finance bills which New York bankers were drawing to sustain the furious speculation then going on in Wall Street. Similar action was taken in 1905 by raising the official discount rate in London to check the New York demand for money, and in 1906, when it was again thought unwise to discount largely finance bills drawn in New York on London and the Governor of the Bank of England threatened a seven per cent. discount rate if the practice was persisted in.

At the banks of France and Germany, it is not an infrequent custom for the Governor to make an address to the central committee warning against excessive speculation and urging that a brake be applied through the discount rate and the rejection of finance bills. It was in this strain that Dr. Koch addressed the committee of the Imperial Bank of Germany in 1905 with the announcement that "It was time to put a damper on speculators by restricting loans on the Stock Exchange."

There is no magic in the powers of a central bank. It cannot attempt tasks beyond its strength, whether it is acting contrary to the genuine requirements of the situation or whether it is struggling vainly to protect the national gold stock against adverse circumstances or Government recklessness. It is able, however, by husbanding its resources in periods of tranquillity, to exercise great power in periods of stress and it is one of its functions to anticipate such periods and guard the commercial community from abrupt and violent changes in the rates for the loan of money and in the accommodation extended to commerce.

In very few European banks is there any legal requirement as to the amount of reserve to be held. The ratio of reserve to liabilities depends upon the judgment of the managers of the bank, subject, however, to the concentrated scrutiny of the entire financial community. The Bank of England has preferred the system of frequent changes in the discount rate in order to maintain an adequate reserve of gold, while the Bank of France, without discarding the system of changes in the discount rate, has thought it advisable to accumulate in recent years a very large ratio of gold to its outstanding notes. The manner in which this policy operates to benefit French commerce was thus set forth by M. Pallain, the Governor of the bank, in 1908:*

"It is a principle consecrated by experience that the supreme means of defense for an issue bank, to protect its metallic reserve, is to raise the rate of discount, and we never lose sight of this principle. However, the extent of our reserves allows us to contemplate without emotion important variations of our metallic stock, and we only exceptionally have recourse to a measure which is always painful for commerce and industry. The stability and the moderation of the rate of discount are considered as precious advantages, which the French market owes to the organization and traditional conduct of the Bank of France."

It is only indirectly within the range of influence of the central bank of issue to check the misapplication of investment capital. In France and some other countries much influence is exercised, however, by the attitude of the Government towards the listing of new loans on the Bourse and in various other ways. It is not the proper function of commercial banks to convert capital into permanent forms or to make investments in the securities representing such employment of capital. So far as the commercial banks have been led into such classes of business, they have become involved in difficulties, and it is the legitimate function of the central bank to check them.

In seeking this end, it is within the competence of the central bank to exert influence over the market for short-term credits in such a way as to check the outflow of gold, even by admonitions to other commercial banks and especially to those which are likely to seek rediscounts. It is its duty, in pursuance of this function, to raise the rate of discount at times in advance of obvious and imminent danger and to take measures to enforce this increase of rate upon the money market.

It is in pursuance of this policy of exercising a conservative influence over the market that the Bank of England often goes further than the mere formality of raising the rate of discount and takes steps to make its rate effective. It does this by "borrowing from the market" by the sale of consols under time contracts. This licks up surplus money in the market and diminishes the funds available at the joint-stock banks for the rediscount of bills and acceptances below the official rate. A policy with a similar object has been growing in frequency at the chief continental banks of issue—the Bank of France, the Imperial Bank of Germany, the Bank of Russia, and the National Bank of Belgium. All of these institutions have repeatedly bought gold at a loss in order to maintain a sufficient gold reserve, and they have been doing this recently upon a large scale. So persistent have been the purchases of gold in the London market by the central banks of Germany, France and Russia, in face of high premiums for gold and high discount rates at home, that the process has almost ceased to be economic and has become essentially political. The reported conversation of the Kaiser with the Governor of the Imperial Bank of Germany more than a year ago—when he asked if the gold reserve was adequate to support Ger-

*"Interviews on Banking and Currency Systems," National Monetary Commission, Senate Document 405, 61st Congress, 2nd Session, p. 215.

many in a great war, and when told that it was not, intimated that he did not want such an answer again—seems to have become an object lesson to the governments of Russia and France.

The United States is not likely to be called upon under existing conditions to make such strenuous efforts to gather gold as are now being put forth in Europe. When the country needed gold, however, in the crisis of 1895, it was necessary for the Government to make a contract with a private banking house to avert the suspension of gold payments; and in 1907, it was again necessary to issue bonds to restore confidence and the Bank of France was compelled to refuse to extend aid directly to America because there was no central institution capable of guaranteeing large amounts of commercial paper or finance bills.* In the future, it will be the duty of the Federal Reserve Board and of the Federal Reserve Banks to perform these functions, which are so resolutely and efficiently performed in Europe by the central bank of issue.

If the Federal Reserve Bank at New York had been constituted with a capital approximating that of other strong New York banks and had represented the financial resources of the entire country northeast of the Potomac, the Governor of this bank would have been a potent factor in the market for international exchange and in the protection of the national gold stock. Reduced to a minor position by the division of the country into twelve districts, of which there are three northeast of the Potomac, the Governor of the New York institution will probably be compelled to lean upon the Federal Reserve Board at Washington, and upon this body will be imposed the responsibility of guiding the present and anticipating the future. How intelligently and resolutely they perform this function will determine, in a considerable measure, the success of the new Federal Reserve System in putting the United States upon a level with other financial powers in the protection of the American money market and the soundness of American finance.

*Vide the author's "A History of Modern Banks of Issue," p. 716.

The New Cotton Currency

ON August 27 Secretary McAdoo made the following announcement of his plan for aiding the cotton growers:

Among the eligible securities to be used as a basis for the issue of currency I have decided to accept from national banks, through their respective national currency associations, notes, secured by warehouse receipts for cotton or tobacco, and having not more than four months to run, at seventy-five per cent. of their face value. The banks and the assets of all banks belonging to the Currency Association will be jointly and severally liable to the United States for the redemption of such additional circulation, and a lien will extend to and cover the assets of all banks belonging to the association and to the securities deposited by the banks with the association, pursuant to the provisions of law, but each bank composing such association will be liable only in proportion that its capital and surplus bear to the aggregate capital and surplus of all such banks.

This plan ought to enable the farmers to pick and market the cotton crop if the bankers, merchants and cotton manufacturers will co-operate with each other and with the farmers, and will avail of the relief offered by the Treasury within reasonable limits. Such co-operation is earnestly urged upon all these interests. The farmer cannot expect as high a price for cotton this year because of the European war, yet he should not be forced to sacrifice his crop. The banker and the merchant should not exact excessive rates of interest, and the manufacturers should replenish their stocks as much as possible and pay reasonable prices for the products. If this is done, and it can be done if everyone displays a helpful spirit, a normal condition can be restored, and there ought to be no serious difficulty in taking care of the cotton problem.

The Theory and Practice of Credit

(First of a Series of Articles)

By W. H. KNIFFIN, Jr.

PART I.

THE field of credit is an inexhaustible one, and the last word has yet to be said. Like all other subjects, it has two sides—the theoretical and the practical. To apply the theory is as important, if not more so, than to understand it. Much has been said and written concerning credit in the abstract and much in the concrete, but the trouble has been that, as a rule, application has been made of broad rules and principles—so broad that their definite application has been difficult for the beginner to understand.

THE PERSONAL EQUATION

CREDIT is no longer granted on mere personal acquaintance with the borrower and his business, but upon his statement of condition. The use of commercial paper as a bank investment has become more common as its worth has become better known so that to-day it forms a large part of the assets of our commercial banks. To judge the quality of the paper, dependence must be placed on the statement, and it is necessary to analyze and analyze correctly the statement of condition. To do this requires experience. Here the theory is applied. And any bank man who expects to make safe loans must be able to judge a credit statement. It is not enough that the city correspondent recommends the paper—it, too, may be mistaken in its opinion, or biased in its judgment. Nor is it enough that other banks have found it satisfactory, important as this may be as corroborative of present opinion. The banker should be able to do this for himself.

In the present series it is proposed to present the subject of credit in two parts: First, the theory of credit; and, second, the practice of granting credit. The latter will be of particular interest, because of its practicability. Each month there will be given an actual statement of condition, with comment.

CREDIT A SCIENCE

IN so far as the principles of credit have been worked out, systematized, clearly expressed and carefully applied, credit may be said to be a science. While not so exact as some sciences, such as mathematics, yet the fundamental principles are now generally recognized in all credit circles. Thus, it is accepted that character, capital and capacity are necessarily present in some degree in every credit operation; and while the proportion may differ, yet they must exist. To determine if they exist and in a safe degree is the work of the credit man. To determine the degree and the consequent safety of the loan based upon such analysis is to grant sound credit; to misjudge the quality of the credit is to make unsound loans and invite loss.

Credit is old--older perhaps than the instruments which represent credit. It is conceivable that primitive man trusted primitive man with goods, upon a promise to return or repay in kind or in value. The evidence would be parol and not documentary, but the element *credo*—to believe—was present nevertheless.

Credit instruments are of sufficient age to prove the antiquity of even the documents of credit, there being in existence at the present time perfectly preserved credit instruments dating back to 2500 B. C.

Credit is a fine piece of mechanism. It works silently and smoothly most of the time; but when it is thrown out of gear, it disrupts the whole commercial structure. Ordinarily large sums are easily and cheaply transferred from country to country; enormous shipments of merchandise are bought and paid for; the operations of trade and commerce move without a hitch; but once the credit system goes wrong, the whole fabric feels the shock.

In the collapse of the credit machine due to the present war, new problems confronted the business world. It was first necessary to devise other ways and means to promote credit transfers. The credit instruments in the hands of travellers which ordinarily were accepted as cash everywhere, because of the smooth working of the credit machine, were practically worthless for ordinary purposes. Gold had to be sent to redeem the instruments which under normal conditions transfers of credit would have accomplished. The established order of things had to give way to new ideas to meet new conditions. In this country new forms of bank-notes and clearing-house certificates appeared, based, not on gold, in whole or in part, but upon commercial paper. Thus credit was piled upon credit, to keep the wheels of industry from breaking down entirely. And it worked perfectly.

CREDIT A TRANSFER

CREDIT is a transfer—or rather it arises out of a transfer. All credit is based upon a transfer of property. Without the interchange of property credit cannot exist. I may trust a man, but for what? My trust is merely a good opinion. It is a compliment to him, but of no use until I trust him with something. Then it takes tangible form and out of the transfer true credit arises. I trust him to return the article or the value at the appointed time, and I have given him credit. I have confidence in him, and this confidence expressed in a transfer is credit.

Credit depends upon an exchange and time. Something of value must be exchanged for a promise to pay at a time certain to arrive. If goods are sold for cash, no credit enters. Trust or confidence may arise as to the quality of the goods, the weight or measure; but this is a different sort of credit than that we are dealing with. The payment or the promise must be deferred in its fulfillment if the credit element is to enter.

Credit is a lawful right. If I have a negotiable instrument payable to me, I can sell this instrument, and thereby transfer my right to receive payment to another. This is called negotiation. And the element of transfer by indorsement, negotiability. If I sell a man a bill of goods on open account, I can sell this account, and vest in the buyer all my rights to collect from the debtor. In some cases the indorsee of a negotiable instrument will have better rights than the original party. Anything which I own I can sell, and vest in the buyer the right to collect. Credit, therefore, is bought and sold like other commodities because of its standing in law.

Credit is power to borrow. And the power to borrow is capital; therefore, credit is capital. It is reasonable to conclude that if I have $10,000 in cash and can borrow $30,000 more, the $40,000 is as effective for capital

purposes as if it were all my own, except that the loan might be called at a time when not convenient to repay; but when employed it is capital in my hands. The industries of the world are carried on through borrowed capital; capital assembled in private hands and in banks and then loaned to those who can best employ the assembled funds. And when so employed the credit which the owner transfers to the bank becomes loanable in larger proportion, so that the banking credit becomes capital to those who can offer necessary proof of character, capacity and capital to employ the credit profitably.

CREDIT AN ASSET

CREDIT is an asset. If I have a promise which I am reasonably sure of being fulfilled, I may contract other promises on the strength of receiving that which is due to me, in time to pay that which I owe. And in that confidence business moves. It is, when smoothly running, as effective to keep the wheels of commerce moving as gold; and its cost is cheaper. One dollar of credit will do the work of four in money, and do it just as well. It is intangible, yet tangible. It cannot be seen, yet is powerful. Like electricity, its force may be seen by its effectiveness. It is the "silent partner" of business.

Credit is reputation. A man may have a very good name and yet have no credit, for credit is due to business character. And business character is simply reputation for promptness, square dealing, efficiency. It is not moral character, however important that may be; for some men whose character is undoubtedly bad may have a high sense of business honesty and build up an enviable reputation in business circles. And on the contrary, a man may be ever so good, say long prayers and be however devout, and yet have no business reputation and, therefore, no credit.

Credit is willingness to pay as agreed. It matters not how able a man may be, if he is not willing, he can circumvent the law. He must have a desire to be honest, a willingness to be fair, a high regard for business ethics. The willing man will usually find a way or make one. It is vital that this element be in evidence in all credit transactions.

CREDIT IS ABILITY

CREDIT is ability. Inability is the rock upon which many a business goes to ruin. It matters not how honest a man may be, if he lacks ability, he cannot succeed. He must know how. The knowing how may be an inherent knowledge, or it may be acquired. It may be a knack, or it may be an accomplishment; but the "know how" must be there, if the venture is to succeed. Many a business built up by long years of faithful work has been left in prime condition to a family only to be wrecked because the father's ability did not descend to the son, and the son could not see that it was necessary to develop it or to buy it elsewhere.

Credit is resources. It is axiomatic that if a man would pay, he must have the wherewithal. He cannot pay a promise with a promise—not for long; and unless back of the promise and the promisor there is property that will turn itself into money in due course, sound credit cannot arise. This property need not be in land and buildings, machinery and fixtures—some credit men prefer that it should not. It may be in rights to collect cash, merchandise, raw material and other forms of assets, but it must exist in some form, and that form preferably of quick convertibility, so that the debts which are of short duration may be met by credits of short duration, the one offsetting the other.

CREDIT IS CONFIDENCE

WHATEVER credit is, it is confidence, belief, that the debt will be paid; confidence that the trust will be fulfilled. No man parts with property unless he expects to get its equivalent at the appointed time. Credit is based on confidence; it is confidence. Even in collateral loans the credit is extended first on the faith in the borrower's ability to pay the loan, and this failing, in the confidence that the security will sell for enough to reimburse the lender, so that it is confidence in both that underlies the credit. In fact, most of the credit, particularly banking credit, is based on the latter proposition; for back of the greater part of banking credit is value in some form. It may be stocks and bonds, warehouse receipts, grain, real estate, or other property specifically pledged to secure the loan, but upon the faith of its ultimate redemption in money the loan is made.

In the granting of credit on open account, the confidence lies in the ability of the business to make money. And the likelihood of making money is based upon the condition of the business as expressed in cold facts. The ultimate security lies in the capital worth of the debtor, so that while credit is confidence, it is ultimately based upon value in some form. Just so soon as confidence in the property value is lost, credit is destroyed. Witness a war. As soon as the war clouds begin to gather, the people begin to curtail their credit—their confidence. They draw upon their bank accounts preferring to hold metal to credit tokens. They are fearful that the credit token will not exchange for property, while money tokens will. They fear that the earning power of properties will be cut off, and with earning power goes interest and dividends. They therefore prefer certainty to credit, and the credit machine suffers.

But credit is fundamentally confidence. Where confidence is most fully developed, credit will be cheap; where it is uncertain it is dear. When it is lost, credit is impossible. Poor credit pays not only for the credit, but for the insurance. Credit is an opinion expressed in interest rate. If a man pays at the rate of twenty per cent. for money, we conclude that he is either desperately in need of money or is desperately lacking in credit.

PART II.

ANALYSIS OF CREDIT STATEMENTS

Statement of condition, Brown & Brown, as made to the Old National Bank, Sept. 1, 1914:

BALANCE SHEET

Assets

Cash on hand	$500
Accounts receivable	250,000
Merchandise	75,000
Good will	10,000
Lease	5,000
Furniture	1,000
500 shares C. & C. Co.	50,000
Total	$391,500

Liabilities

Accounts payable	$344,500
Loans	27,000
Net worth	20,000
Total	$391,500

Profit and Loss Account

Sales for year less returns		$80,000
Stock on hand Sept. 1, '13	$50,000	
Purchases	40,000	
	$90,000	
Less st'k on h'd Sept. 1, '14	75,000	
Cost of goods sold		15,000
Gross profit		$65,000
Add dividends on investment		$5,500
Total earnings		$70,500

Expenses

Wages and salaries	$8,000	
Office expenses	7,000	
Other expenses	15,000	
Interest	2,700	
Bad debts	800	
		$33,500
Net profit for year		$37,000

COMMENT

THE above statement is presented with request for a line of credit amounting to $20,000. Will it be safe?

The investments seem to be dividend payers, and presuming upon inquiry that they are proven to be sound, would afford good security if pledged as collateral. We eliminate the good will, the lease and furniture, as slow if not doubtful assets.

Banks generally require that the quick assets be at least two to one of quick liabilities. Here they are $325,500 against $344,500, eliminating the "loans" which might be on time. Obviously a weakness.

The firm started with $50,000 in merchandise. It purchased $40,000 and had $75,000 left, making the cost of goods sold $15,000, which it turned over at $80,000, an exorbitant profit. The amount owing to creditors is beyond all reason. The loan of $27,000 may be a first claim, and it may be secured by collateral. It is singular that out of $90,000 of merchandise only one-sixth has been sold, and at extraordinarily high prices. The expenses are entirely too high for the volume of business. Receivables are three times the sales, showing that sales have been made, but slow collections. Out of a net profit of $37,000, drawings of $25,000 have been made, too much for the capital of $8,000 at the beginning of the period. The heavy drawings and heavy profit are questions to be investigated. The bad debts should be greater; at least one per cent. The loan would not be justified without careful investigation.

Banking and Commercial Law

CASE COMMENT AND REVIEW

General and Specific Deposits

BANK deposits are of three classes: General, special and specific. A general deposit exists when the bank is made the owner of the fund, and the depositor becomes creditor of the bank. The bank is only bound to repay the equivalent.

A special deposit exists when the bank is made custodian of the property without authority to use it, and the bank is bound to return the identical thing. If it is a money deposit, the bank cannot mingle the fund with other moneys.

A specific deposit exists where the money is deposited with instructions to apply the same to a specified purpose, as for instance, to take up a note or to pay off a mortgage.

In a California case it was sought to show that a certificate of deposit was a special deposit. Like many other cases, it arose out of a bank failure. A check was presented to the drawee bank in San Francisco, with request that the funds be sent to Omaha, Neb. The teller advised that a certificate of deposit, to the order of the Omaha party be sent, and it was issued.

The bank suspended before the certificate came in for payment and payment was refused. The depositor contended that the fund was a deposit for a specific purpose, i. e., payment to payee upon return of the certificate.

The bank contended that no specific deposit for a definite purpose was

made; hence no trust fund was created by the issuance of the certificate of deposit to appellant. Second, No actual deposit of money was made at the time the certificate of deposit was issued; hence the assets of the bank were not increased by the transaction in question, and without an actual increase of assets no preferred claim could possibly arise.

The original deposit of the $1,000 was a general deposit and created the relation of debtor and creditor between the bank and the depositor.

The case, therefore, is simply that of a depositor desiring to have a portion of the deposit remitted to a distant place. Did the agent, in accomplishing this purpose, so conduct the transaction as to convert the $847.50 into a special or specific fund or to make the bank a trustee of Mrs. White —payee of the certificate—and a holder in trust of that money for her? Mr. Aitken's testimony simply shows that the depositors, Aitken & Aitken, wanted to send the money to Mrs. White at Tacoma, and were told that the most convenient way would be to take a certificate of deposit payable to her and she could indorse it and get her money through a Tacoma bank upon the return of the certificate. Unfortunately the bank became insolvent and the certificate was not paid. "We cannot discover," says the court, "any request made of the bank to send the money, or any agreement by it to send the money. The same result might have been accomplished had the bank certified the check given by Aitken & Aitken, and had they sent it to Mrs. White, or by a draft upon some bank at Tacoma or elsewhere.

"There was no money in fact deposited by Mrs. White, and there was no withdrawing of any money from the bank. The check for $847.50 was marked paid and reduced the credit account of her agents, Aitken & Aitken, by that much, and on the bank books the amount was doubtless charged to outstanding certificates of deposit account. There is no evidence that the bank expressly or impliedly agreed to hold this money in trust for Mrs. White or her assignee, nor did it agree to transmit the money to her. * * *

"But we fail to discover in anything said or done by Mr. Aitken at the time from which he had a right to assume that the bank officers understood the bank's relation to Mrs. White to be other than that created by the certificate of deposit. The certificate of deposit has none of the earmarks of a special deposit of money which the bank has no right to mingle with its funds or treat as its own. On its face it creates the relation of debtor and creditor between itself and Mrs. White. Aitken & Aitken were her agents in the matter and for her consented that the transaction should take this form, and it seems to us the certificate is very significant, if not conclusive, as showing what the understanding was.

"Mr. Morse says such certificates are but acknowledgments of the bank that it has received from certain persons certain sums of money. 'In form they are substantially simple receipts of the bank, in negotiable form, for so many dollars, and so are only evidence of an indebtedness, like the bank book.' 1 Morse on Banks, § 297. 'They create no trust relation between the depositor and the bank, but merely that of debtor and creditor.'" People vs. California Safe Dep. & Tr. Co., 137 Pacific Rep. 1111.

Note Payable to Joint Payees

MASSACHUSETTS

Tenancy in Common—Mortgage Security—Survivorship—Joint Tenancy

Supreme Judicial Court of Massachusetts, January 9, 1914.

PARK VS. PARKER.

A negotiable instrument payable to two or more persons jointly may be paid to

any one, and by him cancelled and surrendered.

PETITION by Osmond F. Park, as executor of the estate of Caroline P. Gilham, deceased, for instructions as to the disposition of a note secured by a mortgage on real property. A decree was rendered declaring that the proceeds passed to the estate of Caroline P. Gilham as the last survivor of certain joint owners, and the case was reserved for the determination of the full court. Reserved.

STATEMENT OF FACT

IN June, 1889, Caroline P. Gilham, William D. Park and Thomas C. Park conveyed a tract of land in Boston, which they owned as tenants in common, to one Pihlcrantz, who gave a promissory note payable to the grantors, secured by a mortgage on the same real estate. The payees of the note have died, Thomas C. Park in 1904, William D. Park in 1908 and Caroline P. Gilham in 1910. In 1911 the note was paid to the executor of the will of Caroline P. Gilham and the mortgage was discharged. This is a petition in equity by him for instructions as to what shall be done with this money. He contends that the entire sum belongs to the Gilham estate, on the ground that the note was a joint one and that the mortgage was held by the three mortgagees as joint tenants and not as tenants in common, and that hence it all vested in Caroline P. Gilham as the last survivor of the three. This contention is the only question presented on the record.

OPINION OF THE COURT

RUGG, C. J.: One of the several promisees of a negotiable instrument, payable to two or more jointly may receive payment and cancel or surrender the note. Bruce vs. Bonney, 12 Gray, 107, 111. Hence the payment by the maker to the survivor of the joint payees was proper and discharged his obligation. In actions at law it has been held that although, since St. 1785, c. 62, § 4 (now R. L. c. 134, § 6), conveyances to two or more persons are to be interpreted as creating estates in common, yet mortgages were excepted so that in a grant by mortgage to two or more persons to secure a joint debt, there is survivorship in the event of the death of one. Appleton vs. Boyd, 7 Mass. 131. That was a case where the payees of the note and the mortgagees were partners, and this circumstance is adverted to as of importance in Lowell, Appellant, 22 Pick. 215, 221, 222, and Earle vs. Wood, 8 Cush. 430, 448. The same relation existed between the payees of the note in Goodwin vs. Richardson, 11 Mass. 470. * * * Some of these cases were explained in Ewer vs. Hobbs, 5 Metc. 1, at page 3, where it was said by Chief Justice Shaw:

"In an early case in Massachusetts it was held by Chief Justice Parsons that where a mortgage was made to partners, in such form as would ordinarily create a tenancy in common in other grantees—inasuch as it was designed to secure a joint debt, which, in case of the decease of one partner, would vest in the survivor for the purpose of collection, and subject to the partnership debts—the estate should be held to be a joint tenancy, in order that by the principle of survivorship, applicable to that tenure, the real security might accompany the debt. Appleton vs. Boyd, 7 Mass. 131. This doctrine was earnestly opposed by Mr. Justice Story, in the case of Randall vs. Phillips, 3 Mason, 378 [Fed. Cas. No. 11,555], who insisted that such mortgage, so far as it operated as a transfer of the legal estate, was to be construed a tenancy in common, and not a joint tenancy. But at the same time he maintained that, on the death of one partner, the heirs of the de-

ceased would take a moiety, charged with an implied trust to hold for the survivor, as security for the debt. And in Goodwin vs. Richardson, 11 Mass. 469, the opinion of the court, given by Mr. Justice Jackson, was that, although a mortgage to partners, to secure a joint debt, might be deemed a joint tenancy, until foreclosure, yet the new absolute estate, vested in the mortgagees by foreclosure, was to be considered as a tenancy in common. It seems, therefore, that whatever difference of opinion there may seem to be, among our eminent jurists, on this subject, is a difference as to the technical mode of the operation of the conveyance; but they all concur in the proposition that it is to be so construed as most effectually to form an indissoluble connection between the estate and the debt, and make the land subject to the debt, in whatever legal form it may pass, or into whose hands soever it may come."

In Gilson vs. Gilson, 2 Allen, 115, 117, it was said that these statutory provisions "have excepted mortgages from the broad provision that all conveyances made to two or more persons shall be construed to create estates in common and not in joint tenancy. But this provision only operates to leave open the inquiry in each particular case as to the character of the mortgage." Donnels vs. Edwards, 2 Pick. 617. The strong inference, if not the express decision, of Blake vs. Sanborn, 8 Gray, 154, is that mortgagees, although joint tenants in form, are nevertheless, as between each other, bound to account according to the real nature of their respective rights. Boland vs. McKowen, 189 Mass. 568, was an action at law discussed and decided on grounds arising out of a tenancy by the entirety.

This is a proceeding in equity and is governed by equitable principles. Joint tenancy and its doctrine of survivorship are not in harmony with the genius of our institutions, nor are they much favored in law. Burnett vs. Pratt, 22 Pick. 556. It appears to be the general rule in equity that, where money is lent by two persons, they are regarded presumptively as tenants in common and not as joint tenants both of the debt and of the collateral or lien taken to secure it. It was said in Morley vs. Bird, 3 Ves. 628, that "though they take a joint security each means to lend his own money and take back his own." This is the doctrine of ancient and modern decisions in chancery. Petty vs. Styward, 1 Reports in Chancery, 81; Rigden vs. Vallier, 2 Ves. Sr. 252, 258; Robinson vs. Preston, 4 Kay & J. 505, 511; Steeds vs. Steeds, 22 Q. B. D. 537, at 541; Powell vs. Broadhurst [1901] 2 ch. 160, 164; Duncan vs. Forrer, 6 Binney, 193. It was adopted by Mr. Justice Story in Randall vs. Phillips, 3 Mason, 378. There is really nothing inconsistent with this in Matson vs. Dennis, 10 Jur. N. S. 461, which related solely to a question of title to real estate.

In the case at bar the original payees of the note and grantees in the mortgage had been tenants in common of the real estate, and their shares were equal. The presumption is strong that they expected the note to stand in the place of the land they had sold, with like proportional interest in each. It is unlikely that as between themselves they intended that a relation so different and so speculatively uncertain in its nature as joint tenancy should be subsituted for the plain and definite equal ownership of tenants in common. There is no evidence tending to show that purpose.

In equity it is not to be imposed upon the parties in the absence of anything to indicate that they understood that any such situation was being created. When the note, to which the mortgage was security, has been paid in full, and in a sense stands in place of the land of which the payees were tenants in common, there is no rigid rule of law which requires the principle of joint tenancy to apply to the money. The effect of Appleton vs. Boyd, 7 Mass. 131, does not go to this extent.

It follows that the money in payment of the note received by the executor of the Gilham will must be accounted for by him to the other two payees of the note. This being so, the death of Thomas C. Park in California in 1904 did not divest his estate of an interest in the proceeds of the note.

Decree reversed.

103 N. E. Rep. 986.

Taxation of Joint and Trust Deposits

New York

Transfer Tax—Survivorship—Descent of Property—Joint and Trust Accounts—Gifts

Surrogate's Court, New York County, April 10, 1914.

IN RE THOMPSON'S ESTATE.

Money deposited in trust account, and no evidence existing as to the ownership of the fund, it must be presumed that the deposit created a tentative trust, which was revoked by the death of the beneficiary, and is not subject to the transfer tax. Money deposited in joint account, and belonging to both is presumed to belong, one half to each and is so taxable.

STATEMENT OF FACT AND OPINION

FOWLER, J.: The executrix of the estate of decedent appeals from the order fixing tax, and alleges that the appraiser erred in his findings as to the ownership of certain property mentioned in the report, its distribution among the legatees mentioned in decedent's will, and its taxation under the Transfer Tax Law. The decedent was a resident of New York. He died on the sixth of February, 1911. Among the assets included in the appraiser's report is the sum of $2,167.89 on deposit in the Eastchester Savings Bank. The bank book evidencing this deposit was indorsed "M. Celia Thompson, in trust for Alexander Thompson." M. Celia Thompson is the daughter of the decedent. There is no evidence as to the ownership of the money which was deposited in the bank, and in the absence of such proof it will be presumed that the money belonged to the depositor. The deposit of the money in the particular form above indicated created a tentative trust in favor of Alexander Thompson, deceased, but the trust was revoked by the death of the cestui que trust during the life of the trustee. Matter of U. S. Trust Company, 117 App. Div. 178, affirmed 189 N. Y. 500. This money, therefore, did not constitute any part of decedent's estate and should not have been included in the taxable assets thereof.

The decedent and his wife had accounts in various banks. The passbooks issued by the banks bore the following indorsement: "Alexander Thompson or Mary E. Thompson." Mary E. Thompson was decedent's wife. The entire deposits amounted to the sum of $13,280.82. The appraiser included this amount in the taxable assets of decedent's estate. The only evidence contained in the record as to the ownership of the money at the time it was deposited in the various banks is that supplied by M. Celia Thompson, the daughter of decedent.

In her affidavit she alleges that the decedent was in the trucking and monument setting business and that at various times he gave to Mary E. Thompson, his wife, a part of the profits resulting from the operation of his business; that the money so given to his wife, as well as some of his own money, was deposited by her in the various banks, and that the entire amount deposited in the banks above mentioned consisted of money which belonged to the decedent and money which was the individual property of his wife. The evidence, however, does not show how much of the deposits belonged to the decedent and

how much to his wife. In the absence of such evidence it will be presumed that one-half of the money so deposited belonged to the decedent and one-half to his wife. Wetherow vs. Lord, 41 App. Div. 413; Matter of Wilkens, 144 App. Div. 803.

While the decedent and his wife could, by agreement between themselves, have created a right of survivorship in the deposits, the record contains no evidence of such an agreement; and, in the absence of such proof it will not be presumed that the depositors intended that the entire amount on deposit at the death of either should go to the survivor. Matter of Albrecht, 136 N. Y. 91; Matter of Kaupper, 141 App. Div. 54. Therefore, one-half of the amount on deposit in the savings banks at the date of decedent's death passed to his legatees under the provisions of his will and is subject to a transfer tax. The other half belonged to decedent's wife, and should not be included in the taxable assets of decedent's estate.

The decedent and his wife were the owners of certain bonds and mortgages amounting to $38,900. The bonds and mortgages were executed to "Alexander Thompson and Mary E. Thompson, his wife." M. Celia Thompson submitted to the appraiser an affidavit in which she alleged that the moneys which were loaned on these bonds and mortgages belonged to Mary E. Thompson; but when deponent was examined before the appraiser she testified that all the money loaned, and for the payment of which the bonds and mortgages were given, belonged to her father, the decedent herein. The affidavit submitted to the appraiser was evidently prepared by the attorney for the executrix, and therefore the allegations therein contained are not entitled to the same probative force as the direct testimony of the deponent.

When she testified before the appraiser her answers to the questions propounded to her were in her own words, the language was her own, and she evidently testified to the facts from her own knowledge and without the adventitious aid of counsel. As she was an interested witness, the court will assume the correctness of the evidence that is least advantageous to her.

Assuming, therefore, that the bonds and mortgages were all purchased with money which belonged to the decedent, it will be presumed, in the absence of evidence of a gift inter vivos of the bonds and mortgages to decedent's wife, that they belonged to him during his life, that he intended to give his wife the right of survivorship, and that as she survived him they passed to her upon his death. West vs. McCullough, 123 App. Div. 846; affirmed 194 N. Y. 518. They are therefore taxable as a gift intended to take effect at or after death. The decedent assigned to himself and his wife two bonds and mortgages amounting to $3,500. These bonds were originally executed in favor of the decedent individually. In 1905 he assigned them to himself and his wife, but the assignment was not recorded until after his death. The daughter of decedent testified that it was his money which was loaned on these bonds and mortgages. It will be presumed, therefore, that by assigning these bonds and mortgages to himself and his wife he intended to confer upon her the right of survivorship. As the gift took effect in possession and enjoyment upon decedent's death it is taxable under the provisions of the Transfer Tax Act (Consol. Laws, c. 60, §§ 220-245).

While as original questions I might have had some doubt, in view of the law relating to tenancies by entireties, which has been extended to personal property, held by husband and wife simpliciter, yet I am bound to follow the decisions of the Appellate Division which seem to me to be decisive.

On the 26th of January, 1911, the decedent executed certain deeds by which he transferred to himself and his wife as joint tenants certain real estate of which he was then seized.

The value of this real estate is about $67,000. The appraiser reported that the value of this real estate was taxable against decedent's widow. At the time the decedent executed these deeds he was nearly seventy-nine years old. He had broken his shoulder in August, 1910, and was confined to his bed for several weeks thereafter. On the 24th of December, 1910, he had an attack of la grippe and suffered from that disease for about two weeks. He sent for his attorney, and asked him to prepare papers which would convey his real estate from him individually to himself and his wife as joint tenants. He said that the conveyance which he had instructed his attorney to prepare was "so that his wife would take the property when he died." On the 26th day of January, 1911, he executed the deeds, and on the 28th his attending physician said that he was suffering from pneumonia. He died nine days thereafter.

The decedent at the time he executed the deeds had arrived at an age when the possibility of his early demise must have presented itself forcibly to his mind. His advanced age and failing health must necessarily have suggested to him that under the inexorable law of nature his corporal dissolution must inevitably occur within a comparatively short period of time. The suffering caused by the broken shoulder rendered him feeble and debilitated, and when this condition was aggravated by two weeks of la grippe, it is easy to understand that he could have but little hope of prolonging his life for any extended period. It was at this time that he executed the deeds, and all the circumstances surrounding their execution seem to lead irresistibly to the conclusion that he made the conveyances in contemplation of death. This conclusion receives additional force from the fact that he died nine days after the execution of the deeds. * * * The appraiser, therefore, was correct in holding that this property passed to the decedent's wife as a gift in contemplation of death. But as she was entitled to her dower in the real estate so conveyed, the value of such dower should be deducted from the appraised value of the real estate. That part of the real estate described as parcel 1, which was conveyed to the decedent and his wife at the time of its purchase, was held by them as tenants by the entirety. Therefore she took this parcel upon the decedent's death by virtue of her right as such tenant by the entirety, and not as a gift made by the decedent to her. It is therefore not subject to a transfer tax.

The order fixing tax will be reversed and the appraiser's report remitted to him for correction as indicated.

147 N. Y. Supp. 157.

Bond of Indemnity

NEW YORK.

Bond of Indemnity Given to Protect Bank on a Collateral Loan—Terms Construed

New York Court of Appeals, March 3, 1914.

AMERICAN EXCHANGE NATIONAL BANK VS. GOUBERT.

ACTION by the American Exchange National Bank against Auguste A. Goubert and the National Surety Company. From a judgment of the Appellate Division (146 App. Div. 875, 130 N. Y. Supp. 1103) affirming a judgment for plaintiff for less than the relief demanded, it appeals. Affirmed.

STATEMENT OF FACT

THE defendants have given to the plaintiff, the American Exchange National Bank, a bond of indemnity which we are called upon to construe. The bank held a note for $2,800, which

was secured by stock of the Goubert Manufacturing Company. The defendant Goubert, in whose name the shares stood, was not a party to the note, nor indebted to the bank. He brought an action against the bank to recover possession of the certificate of stock, upon a claim that as against him the bank held it without right.

He moved in that action for an injunction restraining the bank from disposing of the stock until the action was determined. The court made an order granting the injunction "only upon condition that the plaintiff, within ten days from the date hereof, file an undertaking, with sureties to be approved by this court, in the sum of one thousand five hundred ($1,500) dollars, agreeing to indemnify and hold the defendant, the American Exchange National Bank, harmless from any and all damage, interest, cost, or other expenses by reason of, or growing out of, the issuance or continuance of the injunction, and as security for the amount of indebtedness claimed to be due to the defendant, and for which it claims to hold said certificate of stock as collateral."

A bond was thereupon filed by Goubert and his surety. It deviates in important particulars from the undertaking called for by the order, but it was accepted as sufficient. It recites the entry of an order granting the injunction upon condition that the plaintiff (Goubert) file an undertaking "agreeing to indemnify and hold harmless the defendant (the bank) as therein mentioned." It binds the obligors to the payment of $1,500, and it states the condition of the bond as follows: "Now, therefore, the condition of this obligation is such that if the above bounden Auguste A. Goubert shall indemnify and hold the defendant, the American Exchange National Bank, harmless from any and all damage, interest, cost, or other expenses by reason of or growing out of the issuance or continuance of the injunction as security for the amount of the indebtedness claimed to be due the defendant, and for which it claims to hold a certificate of stock as collateral, then this obligation to be void, else to remain in full force and virtue." The action brought by Goubert to recover possession of the certificate of stock was dismissed upon the merits; and the bank brings this action to recover on the bond.

The stock has been sold for $700, and after crediting this and other payments, there remained due upon the bank's note, at the time of the trial a balance of upwards of $2,000. The finding is that the value of the stock when sold was no lower than the value at the date of the injunction. To hold the defendants liable for any part of the unpaid balance, it must therefore be found that they agreed not merely to pay any damages resulting from the injunction, but also to the extent of $1,500 to assume the debt, for which neither of them was liable up to the execution of the bond. The courts below have held, though not without division of opinion, that the bond, construed in the light of the order, imports a liability for the debt. Am. Exchange Nat. Bank vs. Goubert, 135 App. Div. 371. They have held, however, that the contract is a guaranty of collection, and not of payment, and hence that the unpaid balance cannot be recovered, because the bank has not exhausted its legal remedies against the parties to the note. The recovery has, therefore, been restricted to the expenses of the litigation in which the injunction was granted: and the case comes here upon an appeal by the bank.

OPINION OF THE COURT

CARDOZO, J.: If we confine our consideration to the language of the bond, we shall find nothing to indicate that the defendants intended to assume the debt. All that they did was to undertake to hold the bank harmless from loss as a result of the injunction. It is true that, in under-

taking to indemnify the bank even to that limited extent, they stated that they did so "as security for the amount of the indebtedness" for which the stock was collateral. But that statement did not add anything to the scope of their engagement. If the bond had been silent on the subject, the necessary consequence of a promise to make good a depreciation in the value of the collateral during the period that its use was restrained would be to add to that extent to the security for the debt. The security of the bond would take the place of the security of the stock, and the debt would in each instance be the thing secured.

The bond therefore, considered by itself, creates an obligation to pay the damages and expenses resulting from the injunction, and nothing else. In legal effect, it does not go beyond the statutory undertaking prescribed by section 620 of the Code of Civil Procedure. It imposes no obligation on its makers to assume and pay the debt except to the extent necessary to make good the impairment of the value of the collateral as a result of the injunction.

The argument is made, however, that the language of the bond may be enlarged by reference to the terms of the order under which it was given. The order calls for an undertaking rather than a bond; and, though this difference of form in itself is immaterial, the attempt to preserve in the bond a phraseology appropriate to an undertaking has emphasized the confusion. We think it is true that the undertaking prescribed by the order was to supply a twofold protection. It was to indemnify the bank against any damage or expense resulting from the injunction; and it was also to secure the indebtedness for which the stock was then held as collateral. Indemnity against loss resulting from depreciation in the stock was sufficiently assured by the requirement that the bank be saved harmless from the damage caused by the injunction. To limit to such loss the direction that the undertaking should also secure the amount of the indebtedness is to make that provision meaningless. When called upon to choose between a construction that gives significance to all the clauses of the order and another that makes one of the clauses meaningless, we must prefer the former. People vs. Lee, 104 N. Y. 441, 449.

We are thus confronted by an order which requires an undertaking not merely to pay the damages resulting from the injunction, but also to pay the debt, and a bond given in assumed compliance with the order, which is confined to the payment of the damages alone. The question is, how far conditions in respect of which the bond is silent may be incorporated into it so as to conform its meaning to the requirements of the order. That this bond was supposed to constitute a compliance with the order is not doubtful.

The fact that it was made with that intent is stated in substance in its recitals. If the meaning of the bond were doubtful or ambiguous, we should have the right, in view of those recitals, to limit or to enlarge its operation accordingly. Sonneborn vs. Libbey, 102 N. Y. 539, 550; Elmendorf vs. Lansing, 5 Cow. 468; Smith vs. Molleson, 148 N. Y. 241, 246. We think, however, that a court is without power to interpolate a new condition into a bond that is free from ambiguity in order to force a correspondence between the bond and the order under which it was executed. The order may be referred to for the purpose of explaining a doubtful phrase, but not for the purpose of inserting a new condition, and thus reforming the contract.

The argument is made that all that is needed to bring the order and the bond into harmony is the insertion of the single word "and" before the phrase "as security for the amount of the indebtedness." But to add that word by itself, without recasting the sentence, would so mutilate the language of the bond as to make it hard to believe that the parties would have

signed it without further changes. The meaning, now the obvious one, would be clouded; but no other meaning would be given appropriate expression. The difficulty arises, as we have already suggested, from an attempt to apply to a bond the phraseology appropriate to an undertaking.

The order contemplated an undertaking. It directed that an undertaking by filed agreeing to indemnify the bank against damage from the injunction, and as security for the amount of the indebtedness. To give an undertaking as security for a debt is a phrase which, if loose and inept, is yet not without meaning. But when the parties came to comply with the order they gave a bond by which they assumed an obligation subject to a defeasance. The condition of the bond, if we insert the word "and," would read as follows: "Now, therefore, the condition of this obligation is such that if the above bounden August A. Goubert shall indemnify and hold the defendant, the American Exchange National Bank, harmless from any and all damage, interest, cost, or other expenses by reason of or growing out of the issuance or continuance of the injunction, and as security for the amount of the indebtedness claimed to be due the defendant, and for which it claims to hold a certificate of stock as collateral, then this obligation to be void, else to remain in full force and virtue."

Interpolated in such a context, the words "and as security for the amount of the indebtedness" are meaningless. They do not express an intelligible condition. To express with any degree of fitness the meaning that is the only excuse for any interpolation, we should have to recast the language so as to make it read "and if they shall secure and pay the amount of the indebtedness claimed to be due the defendant, and for which it claims to hold a certificate of stock as collateral, then this obligation to be void," etc.

We think that this is equivalent to making a new contract rather than construing one. The bond as executed may not have been in compliance with the order, but we are not permitted for that reason to discard its plain language, and substitute the order for the bond. It is the bond and not the order that constitutes the contract. In tendering this bond the obligors put their construction on the order, which was at least ambiguous, and in that construction the plaintiff acquiesced. The defendants may have construed the order erroneously. They may have supposed that its obscure requirement that they secure the debt was intended merely to define the purpose of the requirement that they hold the bank harmless from loss as a result of the injunction. If they had construed it otherwise they might have refused to sign a bond at all. In any event, they have the right to insist that the bond rather than the order shall define the extent of their liability. If the bond was thought to be defective in form, another might have been exacted in more faithful compliance with the order, and the plaintiff, having accepted the bond as given, is now bound by its terms.

The judgment should be affirmed with costs.

104 N. E. Rep. 928.

Payment by Check

Virginia

Forgery—Warranty—Indorsements

Supreme Court of Appeals, Virginia, March 12, 1914.

MAIN STREET BANK VS. PLANTER'S NATIONAL BANK OF RICHMOND.

A check is not payment except by express agreement.

ACTION by the Planters' National Bank of Richmond against Main Street Bank, Incorporated. Judgment for plaintiff, and defendant brings error. Affirmed.

STATEMENT OF FACT

THIS is a controversy involving the liability of a prior indorser to a subsequent indorser upon three negotiable notes aggregating $403.71, for which sum the plaintiff in the lower court obtained judgment with interest. * * *

It appears that Kingan & Company conducted their business under the trade-name of "Albert E. Jordan," and that their customers discharged their indebtedness for goods purchased by checks payable to "Albert E. Jordan." In accordance with this custom of the business, the payee in each of the three checks here involved was Albert E. Jordan. The same considerations are applicable alike to each of these checks, and the result as to one follows as to all. We will, therefore, as typical of each, only deal with the check dated San Francisco, August 18, 1910, drawn by E. J. Boebeeg, cashier, on the Merchants' National Bank of New York to the order of Albert E. Jordan for $199.64. When this check was received by Kingan & Company, it was stolen by a clerk in their employment, who forged the name of Albert E. Jordan, the payee, on the back of the check, indorsed thereunder his own name, and deposited the same to his own account in the Main Street Bank, Inc., the plaintiff in error.

That bank indorsed the same to the Planters' National Bank of Richmond, the defendant in error, who in turn indorsed it as follows: "Prior indorsements guaranteed. Pay to the order of any national or State bank." This indorsement was signed by the Planters' National Bank and the check forwarded to its New York correspondent for collection. There it was paid by the Merchants' National Bank of New York upon which it had been drawn. After being paid by the drawee bank and debited to the drawer, it was discovered that the payee's name had been forged and the proceeds credited by the plaintiff in error bank to the forger's account. Thereupon the drawee bank credited the amount of the check to the account of the drawer, and were themselves similarly credited by other banks through which the check had passed, including the defendant in error.

When, however, the defendant in error demanded of its prior indorser, the plaintiff in error, satisfaction of the forged check, the latter declined to make good its indorsement of the check to the former, and thereupon this suit was brought and decided, as already seen in favor of the defendant in error.

OPINION OF THE COURT

HARRISON, J.: The law is well settled that a check is not payment except by express agreement; that where a debtor pays a creditor by check, which is fraudulently obtained from the creditor and paid on forged indorsement, the debtor is not discharged and may be again called upon to pay his debt. First Nat. Bank vs. Whitman, 94 U. S. 343; Leather Manufacturers' Bank vs. Merchants' Nat. Bank, 128 U. S. 26; Thomas vs. Bank of British N. A., 82 N. Y. 1; Daniel on Neg. Instr., vol. 2, § 1623.

The indorser of a negotiable instrument, upon which the name of a prior indorser is forged, "by indorsing it, warrants that he has clear title thereto, and that the instrument is the genuine article it purports to be, and is, therefore, bound by his indorsement to all parties subsequent to him, even though the paper has been discounted by a prior party." Daniel on Neg. Instr., vol. 2, § 1357.

In 5 Cyc. 549, citing numerous authorities in support of the text, it is said: "When several successive indorsers have advanced money on paper payable to order, and neither, it finally appears, had a title because the first indorsement was a forgery, each may recover from his immediate indorser."

Recognizing these well-established principles, the drawer of the check which was stolen and forged, paid

Kingan & Company their debt, and the drawee bank, which had paid the forged check, at once reimbursed the drawer, and this course was followed by each of the banks through which the check passed until the defendant in error paid the bank to which it had indorsed the check.

Kingan & Company are not parties to this suit, and yet the case has been argued as if it involved a controversy with that concern. The grounds of defense suggested and relied on by the plaintiff in error, if sound, might have some relevancy in a controversy between the plaintiff in error and Kingan & Company; but they have no bearing upon the issue involved in this case between these two banks. That issue is a simple one, and in the light of the authorities cited is easily determined.

When the Main Street Bank indorsed the check in question, upon which the name of a prior indorser had been forged, and passed the paper to the Planters' National Bank, an innocent holder, it guaranteed that the title thereto was clear, that the instrument was the genuine article it purported to be, and thereby obligated itself to hold the Planters' National Bank harmless. The liability of the plaintiff in error to make good this check to the defendant in error, under the facts of this case, is not only made clear by the authorities cited, but such liability is put beyond question by the Negotiable Instruments Law, which entered into and formed part of the contract between the two banks. That statute provides in part that "every person negotiating an instrument by delivery or by a qualified indorsement warrants: That the instrument is genuine and in all respects what it purports to be; that he has a good title to it; and that all prior parties had capacity to contract." Code, 1904, p. 1470, § 65.

It is clear, therefore, that the Main Street Bank, when it indorsed the check under consideration to the Planters' Bank, warranted, among other things, that it had a good title to it, and that the forger had capacity to indorse it. It is clear that the rights of the parties to this litigation have been properly determined by the lower court,, and its judgment must be affirmed.

Affirmed.

81 S. W. Rep. 24.

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

STOPPING PAYMENT ON CERTIFIED CHECKS AND CERTIFICATES OF DEPOSIT

———, OHIO, July 10, 1914.

Editor Bankers Magazine:

SIR: Being a subscriber to your good magazine for twenty or thirty years, I would like to ask the following:

Are there any conditions under which payment can be stopped on a certified check except for fraud?

Are there any conditions under which payment can be stopped on a certificate of deposit when the same has been assigned.

1. For instance: A agrees to pay B $1,000. B gives his note to A and receives A's certified check for same amount. Later A decides that he will order payment stopped on certified check. What would be the bank's position in a case of this kind?

2. A decides to loan B $1,000. A receives B's note for $1,000 and delivers to B A's certificate which he has in his possession, payable to his order for $1,000. He hands this certificate to B for his note, properly endorsed. Later A decides that he does not want the certificate paid and stops payment at bank. What is the position of the banker in this case.

Thanking you very much for your opinion, I am, etc. CASHIER.

Answer: The effect of certification, when the instrument is presented by one other than the maker, is to discharge the drawer. The bank then becomes primarily liable to the holder.

It is not an added obligation, but a substituted obligation. The transaction is in legal effect the same as if the holder had surrendered the check, received payment therefor and deposited the money to his own credit, receiving in return the bank's promissory note to his order, on demand. After certification the drawer is powerless to stop payment. (Nolan vs. Bank of New York, 67 Barb. 24; Nat. Commercial Bank vs. Mills, 77 Ala. 168; Blake vs. Hamilton, etc., Bank 79 O. 189: Meriden Nat. Bank vs. First Nat. Bank, 7 Ind. App. 322; Freund vs. Importers' Bank, 76 N. Y. 352.)

In Herman Furniture Works vs. German Ex. Bank, 87 N. Y. Supp. 462, the court said: "The delivery to plaintiff of a certified check drawn on defendant bank amounted in legal effect to payment by the defendant to plaintiff of so much money. The bank was merely custodian of the money for plaintiff. By certifying it lost all power to withhold it from plaintiff and was bound to pay it over to it as its sole property on demand. There is no doubt that the drawer had no right to stop payment."

There are, no doubt, cases which involve fraud, illegality or theft, where the holder is wrongfully in possession of the check, and that payment to him will further the wrong, and upon satisfactory indemnification the bank would be justified in refusing payment. But under the conditions named, payment could not be stopped.

A certificate of deposit is an acknowledgment that the bank has received the sum named, which it will pay upon return of the certificate properly endorsed. Such a certificate is in effect a promissory note, and in the hands of the holder for value is good. The depositary becomes liable to pay to any holder to whom it is properly endorsed. (Nat. Bank of Fort Edward vs. Washington Co. Bank, 5 Hun. 605, N. Y.)

In Hanna vs. Manufacturers' Trust Company (104 App. Div. N. Y. 90) the bank issued a negotiable certificate of deposit to the charterer of a steamer, who endorsed it over to the owner under an agreement to deposit cash or security with the owner. The owner of the boat endorsed it over to another party and the original payee notified the bank not to pay, claiming certain equities. It was held that the circumstances did not make out a case where the bank was authorized to withhold payment to the proper endorser. There must be reasonable ground for payee's claim, and the mere assertion of equities is not enough. The bank is not a stakeholder between the proper endorsee and claimant, and is liable on its certificate to pay the proper holder.

Certified checks and certificates of deposit are much alike, in that both are direct obligations of the bank, payable to whoever holds under proper form of transfer. These are not subject to countermand like a check, for they are primary obligations of the bank, while a check is the primary obligation of the drawer. Only in extraordinary cases would the bank be justified in refusing to honor its own obligation. It is not enough that there be a dispute, failure of consideration, etc.; there must be better grounds.

Where, however, the payee of a certificate of deposit has notified the bank that it has been obtained by fraud and requests it to withhold payment, upon satisfactory indemnity, the bank would be justified in so doing until the rights of the parties are determined.

Bank Promotes Biggest Corn Contest in United States

By FRANK WARNER, of the Leavitt & Johnson National Bank, Waterloo, Iowa

PROMOTING corn growing hardly seems at the first glance as if it were within the scope of banking. It is true that banks in an agricultural community like to see the crops do well; but when it comes to assuming an initiative in a prolonged campaign to increase the cereal production of a given locality, it hardly appears to the casual observer as an undertaking that is quite within the field of banking activities.

However, the Leavitt & Johnson National Bank, situated in the very heart of Black Hawk County, Iowa, one of the best agricultural communities in this Commonwealth, was the only bank in its part of the State to afford any banking facilities at all for many, many years subsequent to its establishment, in 1856, during a period of time before the present large businesses, manufacturers and even railroads came, and when all life was rural. By its early environments it became a farmers' bank, and during its fifty-eight successive years in business the farmer has always found it a loyal friend and supporter.

It is not strange, then, that the Leavitt & Johnson National Bank should choose to stimulate the activities of the farmers of its county and to foster the production of one of the chief grains.

NATURE OF THE CORN CONTEST

THE contest is based upon the best yield of corn on a single acre, and the judges take in consideration both quality and quantity of the acre's yield. The amount of prizes, $1,800, is the largest ever offered in the United States for a like contest. This amount is divided into two parts, one constituting the premiums for the general contest which all adult corn growers of the country could enter, the prizes numbering twenty-three, the highest being $200, and totalling $1,000; the other part is provided for the boys and girls of the county in their education in corn cultivation. The total amount of their prizes is $800, affording six premiums, the highest being $100.

The rules governing both parts are very liberal; any corn grower in Black Hawk County could enter; he might be a patron of any bank; it costs nothing to join; nor is it expected that the winners will become our customers, although it is hoped they may some time, if their names are not now on our books. In regard to the specific rules of cultivation it was permitted that corn could be planted on a single acre or the competing acre could be selected anywhere in the field providing that acre was not less than four rods wide; the seed could be drilled or checked in. In the boys and girls' part, it was necessary for them to form in clubs having in no case a membership of less than five; each member to grow an acre of corn complying with the rules of the general contest; also each boy and girl is eligible to compete for prizes in the larger contest. Mr. Burger, our County Agriculturist, has completed arrangements for a moisture test by Ames and Washington agricultural ex-

perts. The Iowa Dairy Cattle Congress, an annual affair in Waterloo, and one of the largest exhibits of livestock and farm machinery in this country, will set aside 600 feet of porch space for the corn display during its session in October, and in addition will give a week's admission card to every exhibitor, subject to the regulations of the bank.

The Leavitt & Johnson National Bank assumes no credit for originating the idea of such a contest only insofar as this bank has offered the largest amount of prizes, $1,800, ever known in the United States for a like contest. The details of the contest were entirely original, being worked out by the bank and Mr. Burger, the Government expert for this county.

Some other grain might have been chosen, but corn was selected because our crop reports show that that grain in value and amount of production far outstrips its principal competitors of the Middle West—cotton and wheat—and because it is the principal crop in Black Hawk County, and it is, therefore, natural that we should endeavor to increase its yield.

GETTING THE FARMERS INTERESTED

It was an easy thing to decide on having a contest, and to publish the fact through the press and by word of mouth, but we soon struck a rather troublesome snag in that corn growers were disinclined to enroll with any spontaneity, and instead of contestants at first coming with a willingness, it became apparent that some strong presentation must be made if we were to have a contest fitting in proportion to the amount of premiums and the scale which we had laid out for it.

Printed circulars and application blanks were mailed to every farmer in the county, but they availed little. To simulate an interest this bank invited the Black Hawk County Crop Improvement Association to a luncheon at the Irving Hotel in Waterloo in March. Their agriculturist, Mr. Burger, whose name has been mentioned before, presided. The nature of the contest was presented by the several speakers, and the coöperation of the association sought and readily obtained. A circular letter to every farmer in the county was again sent out, but still only a slight increase in interest was shown.

It was keenly felt that something had to be done, now that we had gone into it so far, to kill the apathy, stir up an interest and eliminate any feeling that the proposition was a "scheme." On Saturday, April 4, the Crop Association was again invited to share with others a well-planned luncheon as the guests of the bank. The speakers referred with enthusiasm to the possibilities of such a stimulus as this contest would be to local corn production. And by a map, which had been prepared by the writer, it was shown which townships, by school districts, were represented. Out of a possible 2,200 contestants only ninety-two were listed, and the expiration of the time allotted during which applications could be filed was only five weeks distant.

Several means to interest the corn growers were advanced, but that of ex-Congressman Pickett was adopted. Mr. Pickett urged that the contest be put before the farmers of the county in a political campaign style. In other words, that a meeting should be held in every township, and that the farmers be told of the purpose and date by some man, a resident of the township, and appointed at this meeting. At the meetings Mr. Burger, members of the Crop Association and men of this bank should strive to be present and use their influence toward interesting others.

The meetings were scheduled by Mr. Burger, the writer, and members of the farm association selected from the different townships. Sixteen meetings in all were held in fourteen of the eighteen townships. Prior to the campaign the total enrollment from these

fourteen townships was only seventy-one; after the campaign the number was increased to 416, while the number of contestants from the four remaining townships increased from twenty-one to 141. And among the whole number it is interesting to note that 100 boys and girls and twenty-seven women are listed. In all, there is a total enrollment of 557 contestants, or about one-fourth the total number of farmers. This means that corn will be gathered from 557 acres —or approximately so, as a few will drop out—located in such a scattered manner as to make a splendid representative showing for the county. Also this means that by selecting thirty ears from each acre for display at the Iowa Dairy Cattle Congress, as specified in the rules, a mammoth display can be obtained of the very best corn grown in the county this year. The final husking of these 557 acres will be no small task, and at times has seemed to almost stagger us with its responsibility. We are now at work perfecting an organization of judges and weighers, for no competing acre can be husked nor its corn weighed unless a duly appointed judge is present.

In reference to the corn contest meetings the people of the communities visited were given opportunities to hear the excellent and timely lectures of Mr Burger, their "Farm Specialist." Among his lectures are remembered such themes as "Corn Pests," "Soil Fertility," "Alfalfa," and others, all illustrated by charts and some experiments.

Of these sixteen meetings, six were given in country schoolhouses, five in town halls of the small towns, one in an electric theatre, rented for the evening, and four in rural and town churches. At many of these meetings special programmes had been provided, consisting of vocal and instrumental selections and songs, in which the whole audience took part. The attendance was most encouraging and several of the audiences numbered over a hundred, gathering in from miles around, after having done a hard day's work in the field and chores for an hour or more before starting.

WHERE THE BANK COMES IN

THAT question was of chief concern to a great many and was propounded to us in not a few instances. Certain ones were skeptical, and perhaps there was some justification for it. Here we were, a bank offering to give away $1,300 of its earnings in the form of a contest; it cost nothing to take part; those joining the contest were not required nor requested to open an account either before or after the contest should they win any of the prizes; we promised to return all exhibit corn; and to vouch for a week's admission to the Cattle Congress show to each exhibitor having complied with the rules. And it was not strange that there was some distrust, for there have been other "big contests," and a few couldn't conceive of an institution doing nothing else but handling money, as being so humanitarian and altruistic that it was willing to give away $1,300 of its profits without some boomerang method of returning it again to the bank's coffers.

It became the lot of J. O. Trumbauer, vice-president of the bank and its associated institution, the Farmers Loan and Trust Company, to destroy the skepticism. Mr. Trumbauer appeared on every programme. By forceful arguments he made it clear that this bank was putting up $1,300 purely as a stimulus which would demonstrate to all how many bushels of corn could be grown on a single acre of land. The average yield last year was between thirty-five and forty bushels, while spots here and there produced better than 100 bushels to the acre. If certain acres will grow 100 bushels, certainly the majority of the others will produce more than thirty-five or forty if we learn how to make them do so. If the 100,000

acres of corn area in the county could be made to raise a five bushels' increase, there would be an added corn production for one year of 500,000 bushels. This marketed at fifty cents per bushel, a conservative price, would net an increase of $250,000 in wealth to this county. This added wealth when released by the farmers would be scattered in every line of business and activity in the county. Every merchant, manufacturer and banker would get his share, and the Leavitt & Johnson National Bank, as pointed out by Mr. Trumbauer, was willing to assume the risk in getting its portion.

With that much established, it was easy to follow Mr. Trumbauer's reasoning. A similar increase in wealth each year would enable the farmer to possess more luxuries and conveniences of life; better working conditions for himself and family, and not a little would such accruements aid, and in a logical manner, too, in creating a rural life and environment that should turn the boys and girls away from seeking the city as a place free of the wearying toil of the farm.

More, too, if the corn area of the county could be made to produce five bushels' increase, there was no reason why it couldn't add ten, fifteen or more bushels on the acreage yield, and the increase in production expressed in dollars and cents would be in proportion. This movement was nothing more than one in the interests of more intense farming, a thing we in this country cannot appreciate yet, but which has been mastered in some of the older nations of Europe. With our population increasing so fast and cost of foodstuff rising so high, we are already feeling the pinch of our unscientific farming.

In addition to any economic benefit which the spending of $1,300 may stimulate in this county, the bank believes it is receiving an abundance of good, clean and effective advertising. The meetings last spring throughout the county permitted an unrivalled opportunity for personal contact with the farmers and members of this institution. This personal contact is the aim of any bank in securing new patronage. And if those who attended the meetings were interested enough to do so after having done a hard day's work, most safely

J. O. Trumbauer

VICE-PRESIDENT LEAVITT & JOHNSON NATIONAL BANK, WATERLOO, IOWA, WHOSE TALKS BEFORE THE FARMERS OF BLACK HAWK COUNTY DID MORE THAN ANYTHING ELSE TO ENGENDER THE STRONG INTEREST IN THE CORN CONTEST.

can one conclude that they represented the thrifty and progressive farmers, the most desirable bank customers.

Also a great deal of good advertising was given us in news items by the different county papers. The contest being a big one, and being conducted in a big way, created so much interest over the county that the papers found its development good news, and were kind in giving it their attention. And not only was the contest given mention in the county papers, but some of the larger papers of the State, as well as one of the large dailies of Chicago, have given

the contest a great deal of mention. And thus, the name Leavitt & Johnson National Bank has been put before every corn grower in this county, before thousands of people of this State, and thousands without this State in a manner not possible in a circular letter.

The day set aside for the corn judging will bring hundreds to the display, because the exhibit will be made as a part of the Iowa Dairy Cattle Congress Show, an annual event in this city, and which thousands from this part of the State attend. In the exhibit of the corn and the awarding of the prizes the name of the bank will be inseparably linked. And moreover, the advertising will go on for several years, carried along by its momentum accumulated this year, for the winners of the prizes will have a ready market for their prize winning corn, and with every sale the name of the bank will be mentioned in one way or another.

A contest sufficient in its proportions to make it commensurate with the offer of $1,300 in prizes ought to be carried out on a scale consistent with that amount. The Leavitt & Johnson National Bank will have spent fully another $1,300 before completing this contest, for it has endeavored not to slight in any way the carrying forward of this contest to its conclusion.

The Panama-California Exposition at San Diego

By MARK S. WATSON

IN the lean and hungry days which the possibility of war and the uncertainty of politics bring to the best managed countries now and then, there is a big fund of encouragement in the study of a venture which seeks to create values through the utilizing of neglected resources. If the search seems bound to be successful, so much the more encouraging.

That is the honest, sober impression of what San Diego's forthcoming Panama-California Exposition is going to do, produce permanent benefit, thereby differing sharply from all previous world's fairs which, as a rule, have carried a local stagnation in their trail. This new affair, opening on New Year's eve, and, thanks to the bounteous climate of the extreme south of the Pacific coast, continuing uninterrupted for a year and a day, differs from the others because its ideals and its manner of working them out are essentially new.

What is the new idea? Well, it is best illustrated by telling what was wrong with the old one. The tea exhibit, for example, was of tea boxes. San Diego's is a tea plantation whose young saplings were brought from the plantations in Ceylon, set out and tended by Cingalese nurserymen just as in the Orient, and the plants are growing, the leaves are being stripped and cured by the Cingalese boys, and the little brown women are preparing the tea and serving it in the pavilion and the surrounding gardens. It is novel and highly entertaining. That is

why San Diego's tea exhibit will attract interest.

The old style agricultural exhibit was of two sorts, stacks of fruit and vegetables and a hall of standing machinery. San Diego's machinery is in an open tract sown to different crops of cereals and grasses, with the heavy tractors puffing their way up and down the field, with heavy plows and giant reapers in operation. And the fruits and vegetables are growing—in a large citrus orchard where orange and lemon and kumquat ripen on the boughs within reach of the hand, with the amazing fragrance of the citrus carried far through the air in the blooming season—in the orchard of the model farm, where peach and apricot and apple and cherry and pear trees are set out and bearing, with a thousand rows of vegetables covering the ground beneath them, getting their water from the tiny irrigation ditches, a model intensive farm such as the thousands of this sort which are springing up throughout the southwest and gradually forming the mighty industry which is making the coast cities possible. There is a vineyard, there are berry vines, a model poultry house, the model of the bungalows of California which supply the amateur farmer with all the comforts of the city apartment.

A QUIET PATIO

These are suggestions of the way the new idea works out—the showing, not of lifeless finished products, but of moving processes, satisfying the human desire to "watch the wheels go 'round."

Overwhelming as is the gorgeous beauty of the southern California landscape of sea and sky and mountain with the quaint Spanish buildings of the Exposition Beautiful, the most im-

THE MODEL FARM FROM THE ALAMEDA

pressive feature of the whole affair is the earnestness of the purpose and the abundant promise of result.

The result aimed for? It is not a local "boom" nor one for California. It is to call attention to that great stretch of country which the Panama Canal, whose opening the Exposition

PATIO, SOUTHERN CALIFORNIA; COUNTIES BUILDING

celebrates, will make it possible to develop. San Diego is the first port of call north of the Canal. Also, by a curvature of the California coast, it is much further east than any other point. More important, the grades over the Sierras are markedly lower, a considerable factor in railroad development and the time element of freight hauls. The products of this country and the materials brought from the east normally would alike pass through San Diego as the natural gateway between the Canal and the interior. That explains the direct responsibility of San Diego for aiding the southwest's development.

In the country which can get its materials from the eastern manufacturing centers more cheaply via rail and water, through San Diego, than in any other way, there are to-day 8,000,000 acres under cultivation. The census gives the annual product in 1910 as $143,000,000 in farm products alone, exclusive of minerals worth nearly as much. But also in that country are 36,000,000 acres of exactly the same general character, potentially just as productive. A little arithmetic will show what the annual output should be when this whole section is developed.

The connection is this: Newspaper articles, magazine articles, even land shows—yes, even political speeches—have not sufficed to start the back-to-the-land movement fully, and the sections and quarter sections are still idle. San Diego's Exposition, more especially its agricultural display, shows not alone products, but processes. It is an educator with a direct human appeal, and the firm belief is that here at last is something which will start the development.

The spirit of the Exposition has been carried out in the individual States' display, each State showing the exact condition of every river valley in its confines. The prospective settler can see exactly what he has to choose between. He can even get detailed figures of temperature, rainfall, soil analysis, average cost and average product. And the manufacturer can acquire information, and the business man and the banker.

A territory capable of producing $650,000,000 a year more than at present is worth looking over.

That is the vital part of San Diego's Exposition, the serious, earnest, effective purpose and manner of achievement. The beautiful aspect and the interest of the display, the wonders of the surrounding country and sea, even the amusements of the "Isthmus," which is the name given to the old-time Pike and Midway—all these are most important adjuncts and cannot be overlooked, but it is the bigness of the scope which impresses the business man. The importance of San Diego's venture cannot be over-emphasized.

Economic Resources of the United States and Their Relation to American Trade

A PARTIAL inventory of the national assets of the United States in area, population and the fundamental factors of economic life reveals the fact that it is not only practically self-supporting but that it possesses, in many lines, a large surplus available for protection against famine and temporary adversity or for use in meeting unusual demands from the outside world.

The peculiarly fortunate position of the United States in its ability to supply its own needs is clearly seen from a survey of its production and relative contributions to the world of the great requirements of man—food, clothing and shelter. It is found, for example, that the people of the United States may be fed readily by home-produced foodstuffs, our vast area of three and two-thirds million square miles representing every variety of climate and production and being nearly equal in extent to all Europe which has a population five times that of this country. Agriculture in the United States has not yet reached the stage of scientific development common to many countries of Europe, and present domestic production may therefore be expected to increase greatly with more attention to improved methods of culture. Nevertheless our country already produces over two and one-half billion bushels of corn, or two-thirds of the world supply. This year's wheat crop is estimated at the high-record figure of 911 million bushels, about twenty per cent. of the world harvest. The United States also produces annually over one billion bushels of oats, or one-fourth of the international yield, and 197 million gallons of cottonseed oil, representing most of the annual output of this article whose food value as a substitute for olive oil is becoming more and more recognized. Fifteen per cent. of the world's cattle are on American farms, the number in this country being fifty-nine million, or twice as many as in Argentina or European Russia and half the number in India. Our country also has sixty million swine, fifty million sheep and twenty-four million horses. We import, however, five billion pounds of sugar (chiefly Cuban), or one and one-half times the amount produced in continental United States and its island territories.

In clothing material the United States is also favored, producing annually over fourteen million bales of cotton, representing over one-half of the world's supply. Of wool we produce 300 million pounds a year, our home requirements being supplemented by 238 million pounds of foreign wool and thirty-four million dollars' worth of woolen goods.

In the mineral kingdom, the preëminent position of the United States is unquestioned. We produce, for example, 534 million short tons of coal, forty per cent. of the world's output; 238 million barrels of petroleum, two-thirds of the world's total; and fifty-seven million tons of iron ore, out of a world total of 132 million. One-half of the world's copper is taken from American mines, which turned out one and one-quarter million pounds in 1912. Of the world's output of 466 million dollars' worth of gold, the United States produced about twenty per cent., being exceeded only by South Africa.

About twenty-eight per cent. of the world's silver and thirty per cent. of its lead are produced in this country. In the value of manufactures the United States leads the world, though the product of American factories is chiefly consumed at home. Of the 20.7 billion dollars' worth of manufactures produced in the United States in 1909, only about five per cent. were sold to foreign countries, the world market for iron and steel products, cotton goods, chemicals and other important products of industry being thus far largely held by England, Germany and other European nations.

Hard Conditions Imposed by Public Regulation

NOBODY denies the justness of reasonable regulation of corporations and particularly of those commonly called public service corporations. Yet with all the requirements of the Federal and State Governments to be complied with, a pretty heavy burden is placed upon these corporations in making and filing reports. Here are some interesting items on this matter, taken from the monthly letter issued by the People's National Bank of Pittsburgh:

"The total number of stations outside of the State of Pennsylvania, in the United States, Canada and Mexico, to which railroads in the State of Pennsylvania can sell tickets is approximately 77,744, multiplied by the number of stations on fifty-one roads in Pennsylvania selling interstate tickets, 2,531, multiplied by two (both directions), equals 393,540,128, the total number of passenger rates from all points in Pennsylvania to all destinations outside of Pennsylvania, in both directions, for which tariffs are filed with the Interstate Commerce Commission.

"One railroad operating out of Pittsburgh advises that during a recent year its tariff and traffic departments prepared detailed figures covering all freight ratings for all stations on its line, which comprised a supply of 5,448,110 leaflets, pamphlets and booklets (originals and duplicates, containing 57,323,706 pages of rates), for distribution to all agents, shippers, consignees, etc., and for filing with the Interstate Commerce Commission. The total weight of this output of tariffs for that year amounted to 333,859 pounds, equal to 167 tons. This is only one railroad."

If we remember how many roads there are, and how many States are regulating them, we shall get an approximate idea of what this burden of reporting means.

An enthusiastic purchaser of a new and elaborate system of filing and indexing, when asked by the salesman for a testimonial to its efficiency received this reply:

"System so comprehensive and beautiful that we have given up our business and devoting all our time to the new system."

Banking Publicity

Conducted by **T. D. MacGREGOR**

War Time Advertising

An Advertising Agency That Helped Bankers Maintain Public Confidence

A GREAT many banks in their advertising of the past few weeks have been taking cognizance of the European war and its effect on business and finance in this country.

We reproduce herewith a series of ten advertisements which were widely used in August and September. They were prepared by the Harvey Blodgett Company of St. Paul and sent gratuitously to a large number of banks, not being copyrighted, but "dedicated to the common good."

Accompanying them was this introduction entitled "A Calm Voice Above the Turmoil":

Just now when the turmoil of warfare is heard abroad, and disturbing events follow in quick succession, the banker, the business man and the individual are filled with foreboding.

A keen interest in war news distracts attention from every day pursuits. Excitement prevails.

A world-restlessness compels the individual to command his powers of concentration lest he drift into a waiting attitude and rest the outcome of his endeavors upon issues which have no immediate bearing on his concerns.

The headlines of newspapers indicate confusion. A calm, steady voice above the turmoil is needed to soothe, to allay.

Of all times, this is the psychological moment for the banker to advertise.

His last thought should be to postpone his publicity to more favorable moments.

There is no more favorable moment than right now. He should not wait "until conditions are better."

His advertising should be of a kind that *will make conditions better.*

True, no dire emergency exists in this country of ours; no danger threatens, but the people must be made to appreciate their banks under all conditions.

While public attention is more or less drawn toward banks, perhaps in some degree questioningly—this is the opportune moment to answer tactfully, frankly, any questions which may exist in some minds.

While war devastates the homes of foreign brothers, the lesson of thrift, the appeal for serious, prudent living will find a ready response in the hearts of our people, sobered by the story of distress in other lands.

A few years ago, in times of uncertainty, the first impulse of the banker was to hold his advertising in abeyance, and leave the people to find out for themselves his motives and his place in the conservation of their interests.

But now he realizes the power of sane publicity.

The public has chafed little under the temporary restraints which, for public protection, have been put upon currency. Why?

Because publicity has given them a better understanding of banks. The strain has been lessened because the people have been taken into the banker's confidence.

There must be no halting in commerce while we stand aghast at events oversea.

Conditions here are fundamentally sound.

The people must know it, appreciate it.

What more steadying influence can there be than a calm voice above the turmoil, assuring the people that all is well, and that the banks are doing their duty and we are adding a bulwark of strength to our financial system?

The banker who discards now the ponderous, pointless, trite and deadly uninteresting form of advertising copy and appeals to the reason, the self-interest and the aspirations of human beings will entrench himself in public confidence and esteem.

Public confidence and esteem. What better bulwark of safety for a peaceful nation?

Philip

An Appreciation by a Depositor

WHENEVER I enter or leave the First National Bank of Boston I am sure to receive a courteous greeting and smile from Philip. Philip is the gentleman of color who officiates

upon the main floor, answers questions, and directs strangers to their proper anchorage.

He wears, in addition to his smile, a smart uniform of blue with white gloves, and West Point itself, even upon a field day, does not boast of a more soldier-like personage.

Any bank can take and safeguard your money, and even pay it out to you again on demand. Any bank can, upon the presentation of proper collateral, make you a loan, and there are many other conveniences and courtesies which can be extended; but there is only *one* bank, to my knowledge, that possesses a Philip.

"Philips," like poets, are born and

The United States Was Prepared

With peace and prosperity here, our forces are unhampered in preserving favorable conditions and accepting our responsibility as the world's great steadying influence.

Are You Prepared?

Are you equally prepared for a time of storm and stress in your business? Choose a strong, old institution like the First National Bank and build up there a cash reserve for your business or your family, and get well acquainted with its officers. Then you can face the future with confidence even as our country views the turmoil across the sea, strong in her preparedness for anything that may happen.

FIRST NATIONAL BANK
SIOUX CITY, IA.

Optimism Prevails

It is but natural that the tremendous disturbance across the seas should react, at first, upon this country. The splendid manner in which this nation withstood the unexpected shock justifies the greatest confidence in our financial institutions.

This bank, a strong unit in the community's business life, continues steadfast in its faith in the brightest business outlook. It offers its co-operation to those who share this faith and are willing to back it up with well considered effort. It believes that no time in the future holds better promise of benefits from mutual relations here than RIGHT NOW.

First National Bank
Fargo, North Dakota

Peaceful America

The big fact which stands out clearly and dispels gloom from the business atmosphere is that peaceful America has, in its own possession, ample funds to move crops and care for all the needs of business.

Disturbing events which have moved swiftly in the weeks just past prove conclusively another big fact: The man in business who has conserved his resources and has kept his affairs well in hand through the co-operation of a helpful bank is the farthest removed from worry when clouds overcast the business horizon.

ILLINOIS NATIONAL BANK
PEORIA, ILLINOIS

A Public Asset

When clouds obscure the financial skies the business man turns to his bank for reassurance and counsel. Fortunate is he who has had the foresight to pave the way early, through acquaintance and mutual understanding with his bank, for encouragement in dark hours.

The Des Moines National Bank is a strong public asset. It helps to preserve financial equilibrium in this country. Its co-operation is not for the few but is available to all who wish to improve their prospects. From it helpful influences radiate in times of stress as well as when prosperity is at its fullest height.

Des Moines National Bank
Des Moines, Iowa

Safety, Peace and Plenty

Never were conditions in this land of ours more sound, fundamentally, than right now. With characteristic common sense our people have cheerfully accepted the temporary inconvenience caused by foreign disturbances. Conditions making for safety, peace and plenty have been preserved, which stand out in sharp contrast with privations prevailing in lands torn by warfare.

With the return to normal conditions, the depositors of this bank are looking with satisfaction upon their relations here, congratulating themselves that this bank is a source of safety in times of uncertainty as well as a ready helper when quiet reigns and business expansion is the order of the day

Dexter-Horton National Bank
Seattle, Wash.

A Triple Alliance

You can win your fight for financial independence with the aid of these two strong allies—the Habit of Saving and a Bank Account.

Form this triple alliance at once:—You, the Savings Habit and a 3½% Interest Account at the strong First National Bank.

Then no combination of enemies to your success can prevail against you.

The First National Bank
Syracuse, N. Y.

A Moment of Great Decisions

This is a moment of great decisions. Nations and rulers are grappling with grim problems and reaching conclusions fraught with far reaching consequences. To "do or die" is the one decision forced by circumstance upon millions of warring brothers of the human race.

How simple, how easy the decision required to qualify YOU for a higher rank in the army of progress. A final conclusion, reached now, to SAVE FIRST and fit yourself to command rather than to be commanded, will broaden the horizon of your hopes. Can you decide otherwise than for serious saving at this bank?

FIRST NATIONAL BANK
DULUTH, MINN.

An Apt Precept

Wars abroad, stirring news events and world wide restlessness must not distract you, favored as you are in this land of peace and plenty, from this great issue in life—GETTING AHEAD AND KEEPING AHEAD.

"In time of peace prepare for war"—this great precept was never brought home to you, the individual, more impressively than right now. You can apply the principle to yourself in these words: "In time of plenty prepare for want."—The safe, sensible NECESSARY thing is a savings account, maintained through "thick and thin" at the

Peoples Trust & Savings Bank
CHICAGO

A Written Guarantee

Frequent, regular entries in your Home Savings Bank savings pass-book are a strong written guarantee against trials which may lurk in your pathway. What other guarantee have you that you will be immune from them?

The time for you to save money is not after foreign nations settle their difficulties nor when quiet is restored and the rest of the world assumes our country's peaceful pace, but NOW.

Home Savings Bank
Toledo, Ohio

Above the Turmoil

Above the turmoil of foreign strife and its echoes at home, do you hear the still, small voice which tells you as an individual, to "be prepared"?

Today you have the greatest confidence in the success of the nations that are PREPARED. Your own success in the battle of life hangs upon the preparation you make, not on the near approach of opportunity or emergency, but RIGHT NOW. A savings account, maintained through self-restraint, sacrifice if necessary—that is the insistent prompting of the still, small voice. Heed it.

Anglo-California Trust Company
San Francisco

A MOBILIZATION OF THE FORCES OF CONFIDENCE

not made, and so there will never, even during bumper crop seasons, be many of them.

Philip has that rare quality of not knowing or appearing to know what manner of man or woman you are. To Philip every person entering or leaving this (I came near saying *his*) bank is a potentate and deserving of all the courtesy and attention supposedly due a potentate.

It makes no difference to him whether my clothes are ready-made and old or the latest creation of a master, whether I am about to deposit millions or seek a small loan—I am a visitor and a customer, and am, therefore, entitled to instant recognition and courtesy or, if I require it, attention and help.

A LOS ANGELES SERIES

In a bank, capital and surplus are necessary; officers with brains and business acumen are necessary; conveniences and assistance are a part of the service you expect; clerks and tellers must naturally be in attendance. But besides and beyond all these there is something more to be desired, and Philip supplies it. Cold winds may blow or summer's sun beat down, rains may descend and floods come, but the cheerful smile and inherent good nature of Philip are undisturbed. Like the brook, they go on forever.

Most of us are very human, and we may, at times, be scant with our courtesy, yet kindliness on the part of others we never fail to observe and appreciate.

The little things of life are important. A particle of grit may not wreck the machinery of a great establishment, but it disturbes smoothness and makes the cylinders knock. A lubricant is a fine thing to have handy when the gears grind. Philip helps supply the "grease." He makes things run easier, he saves "horse-power," he helps us to the best of his ability to conserve our energy.

What the world needs is more kindness; what the individual needs is more patience; and what banks need is a Philip, for he is more than a faithful watchman, more than an efficient servant—he is an *institution.*

A Live Advertiser

THE Leavitt & Johnson National Bank of Waterloo, Iowa, which has conducted a large and successful corn-growing contest, in which prizes aggregating $1,300 were offered, includes the following among its proved advertising methods:

(1) This bank begins with the baby. By a means it has provided to locate the new babies, it can send out cards of congratulations to the parents with a letter offering to deposit a

dollar to the baby's credit if the parents will call at the bank; (2) In the interest of the boys and girls, four or five letters, each accompanied with a pleasant story, are mailed out every year; (3) For the working class, including stenographers, clerks, and any others who care to join, a Vacation Savings League is begun in the fall, running for 40 weeks and payable the last of June. The money accruing is sufficient to provide for two, four, or six weeks' vacation. This bank spent $800 in advertising this venture alone last year, and obtained 1,000 members, whose deposits in this league exceeded $45,000; (4) A Panama Savings Club, similar to the Vacation Savings League, is our recent addition, and is open to all, the deposits being payable in the year of the exposition, 1915. However, in our corn contest this year we consider our greatest effort to promote thrift and saving, and advertise the bank among the people of this section.

Image Building

Valuable Hints to Advertising Writers

ADVERTISING is salesmanship on paper, so says some one. It is agreed that the four essentials in salesmanship are: First, attract attention; second, arouse interest; third, create desire; fourth, move to action.

All of which must be done with words. *Words are the only material with which salesmen have to work.*

And mental image building is the highest form of constructive selling argument—humanized words are what mold men's minds most effectively.

Use verbs and adjectives.

Verbs and adjectives are the most effective words in an advertisement. They are the *working* words of the language.

They are vital to image building.

Through them it is easiest to humanize.

If you speak of something, so far as possible make it like a man—make it feel, think, act or do something that you do.

If you speak of a tree, say its leaves "whisper," "dance," "tremble," "shudder."

Or use whatever other words make it measure up to the human level—only make it measure up. *Humanize* the words you use.

In this way we read our own experience into the life and action of things and persons about us.

If you put more of yourself into things than other people do, you will have more that is individual and unique to say about them.

Instead of saying: "The mountain was before us," use the stronger term and say: "The mountain *rose* before us." Instead of saying: "This room is comfortably furnished," say "This room *invites* one to rest." Note the words "rose" and "invites" express something we ourselves do. They are verbs of motion and make a concrete appeal.

All great writers seem to have known this secret of greater power of expression. Literature abounds with examples of it.

Stevenson was wonderful in what he did with his adjectives and verbs. Consciously or unconsciously he must have had the idea, for he made words fairly glow under his pen.

Take the little word "desert" in connection with one of his writings. He does not speak of the desert and stop there. He speaks of it as the "inhuman desert," the "famine guarded desert," the "melancholy desert," the "poisonous desert," the "idle desert," the "unkind desert" and the "desert's hot and dusty face." Mark the strength of these expressions through the use of humanized adjectives.

Wordsworth said: "And 'tis my faith that every flower *enjoys* the air it *breathes.*" Wordsworth projected himself into, or put a part of his life into the flower. Hence it breathes, enjoys, nods, shakes in the wind—and through its becoming humanized it appeals to us with greater effect than it otherwise would.

A PITTSBURGH SERIES

Anybody knows what an image is: It is the representative in the mind which stands for an object, person or action. If some one says "home" you get some kind of a picture in your mind's eye that stands for your home. If you couldn't call up that image, you couldn't go home—and for that reason only.

Images are pictures in the mind—and the vivid images are the things we want most and hardest.

It is clear, therefore, that to make a picture complete, you must get your images together—that is, you must combine them.

No word picture that ever made any kind of an impression did it without getting some important images together.

Get the right images together—put them together in the right way—and you can be a man of genius in the advertising world, or anywhere else.

It is not easy to do, and telling you won't put the art into your hand. But if you know what you are working for, it will be a help—for all the outward manifestations of man's activity are the direct result of a concentration of consciousness on some inward image.—*Los Angeles "Examiner."*

How Banks Are Advertising

Note and Comment on Current Financial Publicity

"How You Can Use a Trust Company" is a good booklet issued by the Fidelity Title and Trust Company of Pittsburgh. It is most artistically gotten up, with large, clear type and good illustrations. Besides covering the subject indicated by its title, it also tells about the banking and savings departments and the safe deposit vaults.

The six reproduced advertisements of the Union Trust Company of Pittsburgh are typical of a fine series which that institution has been running in local newspapers. Another good set of

trust company advertisements are those of the Title Insurance and Trust Company of Los Angeles. All of this advertising is worthy of study.

⊙

With its booklets, "Why an Executor" and "Administration," the Federal Title and Trust Company of Beaver Falls, Pa., sent this little note:

Dear Sir:—

If we seem insistent it is upon an important subject.

The welfare of those dependent upon you is of vital interest to you and you wish to remove every possible element of doubt from their future.

We believe we can be of great service to you in accomplishing this and invite a call and consultation without obligation on your part.

Very truly yours,

⊙

The National City Bank of Chicago uses some good counter cards and envelope enclosures. advertising its savings department. One of them contained this matter:

THE NATIONAL CITY BANK

Of Chicago was the first large down-town national bank to establish a department for savings and pay three per cent. interest on all deposits of $1.00 or more.

As an evidence that the people of Chicago appreciate and are taking advantage of this opportunity you may be interested to know that the deposits in our savings department have more than doubled in the last three months.

⊙

This is a very good year for bankers to advertise to get more business from farmers. This is how the American National Bank of Richmond, Va., did it in a newspaper ad.:

THE PROSPEROUS FARMER

Has become so through good management and hard work. On the good management side a checking account at the bank has often been of great help. The farmer who pays everything by check never pays for the same thing twice, and always has a receipt for every dollar paid. We welcome the accounts of the farmers of this section, doing everything in our power to make banking by mail as entirely satisfactory as personal deposit. Write to us and we shall be pleased to extend you every courtesy and help in our power.

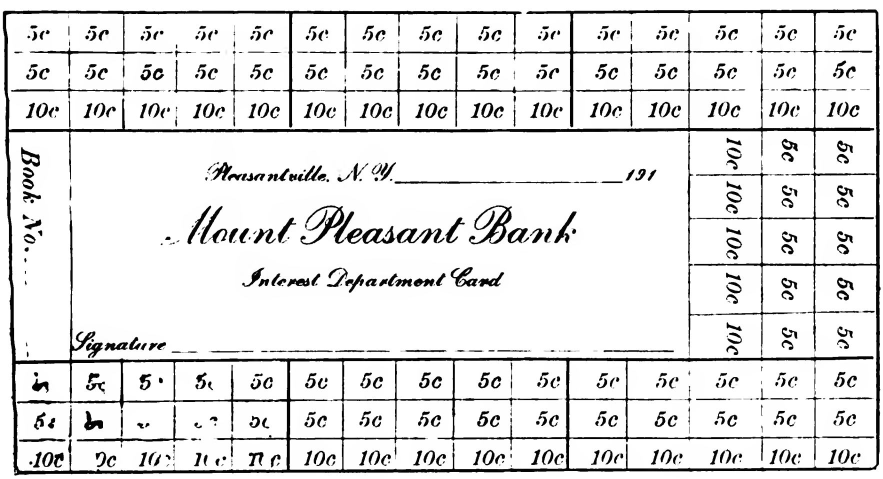
TO please, one must make up his mind to be taught many things which he already knows, by people who do not know them.

CHAMFORT.

Cards to Encourage Saving

FOR the description of the accompanying card (which is issued in two colors, blue and yellow) acknowledgment is made to S. Wood Cornell, president of the Mount Pleasant Bank, Pleasantville, N. Y.

The object of this card issued by the Mount Pleasant Bank is to encourage boys and girls of this village and vicinity to save money. As deposits are made the figures corresponding to same are punched out.


5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c
5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c
10c	10c	10c	10c	10c	10c	10c	10c	10c	10c	10c	10c	10c	10c	10c

Book No. . . .

Pleasantville, N. Y. ____________ 191

Mount Pleasant Bank

Interest Department Card

Signature ______________________

10c	5c	5c
10c	5c	5c
10c	5c	5c
10c	5c	5c
10c	5c	5c

[illegible]	5c	5	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c
5c	[illegible]	[illegible]	[illegible]	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c	5c
10c	10c	10c	10c	10c	10c	10c	10c	10c	10c	10c	10c	10c	10c	10c

When the numbers in the first dollar section are cancelled a pass book will be issued to the holder of the card, showing a credit of one dollar and as each succeeding section is completed a dollar will be entered in the pass book. When the sections are all punched out a new card may be issued. These cards can also be used in connection with existing interest department pass books.

The blue card is handed to the depositor and the yellow one is retained by the bank as a duplicate for record of the card given out. A child may open a card account with five cents or more, and when his or her card shows a credit of $1.00, an interest department account is opened for him, and the $1.00 is cancelled from his card with a small rubber stamp, as per enclosed card. The figures on these cards are divided in oblongs, each oblong totaling one dollar, so that we have little or no trouble in handling these cards and transferring amounts to the interest department.

We have a great number of the cards in use and many children are well along on their second card.

Virginia's Scenic Attractions

NATURAL BRIDGE

FOR some time, in the event of the continuation of the European war, the injunction, "See America first," will have a new meaning. Thousands of Americans who have annually flocked to the other side of the Atlantic will be compelled to seek recreation on this hemisphere, and many of them will doubtless take advantage of the opportunity to explore their own land.

And there is an abundance of things to see, both on the Eastern and Western coasts and in the interior.

The disposition of Americans to go abroad in search of interesting spots rather than to investigate the attractions of their own country is of early origin. It was made a subject of comment by Thomas Jefferson in his notes on Virginia. He was referring especially to the Natural Bridge and to the coming together of the Shenandoah and Potomac rivers. An account of this great wonder, written by Jefferson, and published in 1801, says:

"The Natural Bridge, the most sublime of nature's works, * * * is on the ascent of a hill, which seems to have cloven through its length by some great convulsion. The fissure, just at the bridge, is, by some admeasurements, 270 feet deep, by others only 205. It is about forty-five feet wide at the bottom, and ninety feet at the top; this of course determines the length of the bridge, and its height from the water. Its breadth in the middle is about sixty feet, but more at the ends, and the thickness of the

MOUNTAIN LAKE NEAR PEMBROKE, VIRGINIA—ELEVATION OVER 4,000 FEET

ROANOKE VALLEY, NEAR ELLISTON, VA.
(ON LINE OF NORFOLK & WESTERN RAILWAY)

mass, at the summit of the arch, about forty feet. A part of this thickness is constituted by a coat of earth, which gives growth to many large trees. The residue, with the hill on both sides, is one solid rock of limestone. The arch approaches the semi-elliptical form; but the larger axis of the ellipsis, which would be the cord of the arch, is many times longer than the transverse. Though the sides of this bridge are provided in some parts with a parapet of fixed rocks, yet few men have resolution to walk to them, and look over into the abyss. You involuntarily fall on your hands and feet, creep to the parapet, and peep over it. Looking down from this height about a minute, gave me a violent head-ache. If the view from the top be painful and intolerable, that from below is delightful in an equal extreme. It is impossible for the emotions arising from the sublime, to be felt beyond what they are here; so beautiful an arch, so elevated, so light, and springing as it were up to heaven! The rapture of the spectator is really indescribable! The fissure continuing narrow, deep, and straight, for a considerable distance above and below the bridge, opens a short but very pleasing view of the North mountain on one side, and Blue ridge on the other, at the distance each of them of about five miles. This bridge is in the county of Rockbridge, to which it has given name, and affords a public and commodious passage over a valley, which cannot be crossed elsewhere for a considerable distance. The stream passing under it is called Cedar creek. It is a water of James river, and sufficient in the driest seasons to turn a grist mill, though its fountain is not more than two miles above."

ALLEGHENY MOUNTAINS, SHAWSVILLE, VA.

CASTLE ROCK, NEW RIVER, NEAR PEMBROKE, VA.

IN THE GROTTOES

ORGAN AND CHIMES IN CATHEDRAL, LURAY CAVERNS

The rocks of the bridge and the jutting buttresses are a superb study in color, scarcely equalled for variety and beauty of tone. Exactly overhead, one the highest spring of the arch, is the figure of a gigantic spread eagle. On one side, twenty-five feet above the stream, appear the initials of George Washington.

A grand park of many hundred acres surrounds the bridge, the natural beauty of which is striking. Fine drives lead over the vast domain, and picturesque paths mark the way for pedestrians or horsemen through the wilderness inaccessible to carriages.

Many points of interest are contained in the park beside the overtopping attraction of the bridge, notable ones being Saltpetre Cave, the Profile, Pulpit Rock, and Lace Waterfalls. The illumination of the bridge, which is frequently done for the entertainment of visitors, is well worth seeing.

In the immediate vicinity of the bridge the James River breaks through the obstructing mountains amid as grand and beautiful surroundings as

FISH MARKET, LURAY CAVERNS

those which beautify the passage of the Potomac through the historic gap at Harper's Ferry.

Natural Bridge is located near the eastern slope of the Alleghenies, at the junction of the Norfolk & Western Railway and the Allegheny branch of the Chesapeake & Ohio Railway. It is half a day's ride west of Richmond and two hours north of Roanoke. It has a beautifully situated, well-kept, modern hotel. It is on the Glidden Route for automobiles between New York and Atlanta. Thomas Jefferson, whose description of this interesting wonder is quoted above, spent much of his time at Natural Bridge, and was at one time owner of the property, and his cottage stands there today, overlooking the canyon which the bridge spans. It was also a haunt of Washington's. Not very far from Natural Bridge are many of Virginia's famous watering places. Hot Springs, Va., on the Chesapeake & Ohio is about eighty-eight miles northwest of the Chesapeake & Ohio. Mountain Lake, a lake on top of a mountain, at an elevation of over 4000 feet, is another wonder and a delightful resort, located on the Norfolk & Western, about sixty miles southwest. Green Briar White Sulphur Springs, on the Chesapeake & Ohio, is sixty-five miles southwest. There are many other mineral springs in this region whose waters have an extensive reputation.

Going north through the Shenandoah Valley one passes two more of the world's wonders, Luray Caverns and the Grottoes of the Shenadoah. The Smithsonian Institute said some years ago that the Caverns of Luray are the most wonderful and beautiful yet discovered.

The Luray Caverns extend for over three miles, embracing many fantastic and beautiful halls and chambers, wonderful in formation, dazzling in their snowy whiteness and mingling of colors—a Crystal Lake in a setting of stalactites, and an Imperial Spring enclosed in a forest of columns.

Both Luray Cavern and the Grottoes

SARACENS' TENT, LURAY CAVERNS

IN THE GROTTOES

are wonders that cannot be described, and even the accompanying illustrations give but a faint intimation of their beauty and interest.

Near Luray, at an elevation of 4,200 feet, is one of the most delightful of summer resorts—Skyland. It is not only cool in summer, but has the advantage over more northern mountain resorts of equability of climate—in fact equability of climate is characteristic of the mountain resorts in Virginia. Another feature greatly contributing to the popularity of these resorts is their absolute freedom from mosquitoes or other insect pests.

These inviting mountain resorts, with their impressive scenery, the many regions famed in history, and the delightful places along the coast, will all allure the bankers who visit Richmond this month.

Federal Reserve Act Amended

Additional Emergency Currency Authorized

On August 4 the following amendment to the Federal Reserve Act was unanimously approved by the House and Senate and promptly signed by the President:

That section twenty-seven of the act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve act is hereby amended and reenacted to read as follows:

"Sec. 27.—The provisions of the act of May thirtieth, nineteen hundred and eight, authorizing national currency associations, the issue of additional national bank circulation, and creating a national monetary commission, which expires by limitation under the terms of such act on the thirtieth day of June, nineteen hundred and fourteen, is hereby extended to June thirtieth, nineteen hundred and fifteen, and sections fifty-one hundred and fifty-three, fifty-one hundred and seventy-two, fifty-one hundred and ninety-one , and fifty-two hundred and fourteen of the Revised Statutes of the United States, which were amended by the act of May thirtieth, nineteen hundred and eight, are hereby reenacted to read as such sections read prior to May thirtieth, nineteen hundred and eight, subject to such amendments or modifications as are prescribed in this act: Provided, however, that section nine of the act first referred to in this section is hereby amended so as to change the tax rates fixed in said act by making the portion applicable thereto read as follows:

"National banking associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of 3 percentum per annum upon the average amount of such of their notes in circulation, as are based upon the deposit of such securities, and afterwards an additional tax of one-half of 1 per centum per annum for each month until a tax rate of 6 per centum per annum is reached, and thereafter such tax of 6 per centum per annum upon the average amount of such notes: Provided, further, that whenever in his judgment he may deem it desirable, the Secretary of the Treasury shall have power to suspend the limitations imposed by section one and section three of the act referred to in this section, which prescribe that such additional circulation secured otherwise than by bonds of the United States shall be issued only to national banks having circulating notes outstanding secured by the deposit of bonds of the United States to an amount not less than 40 per centum of the capital stock of such banks, and to suspend also the condition and limitations of section five of said act except that no bank shall be permitted to issue circulating notes in excess of 125 per cent. of its unimpaired capital and surplus. He shall require each bank and currency association to maintain on deposit in the Treasury of the United States a sum in gold sufficient in his judgment for the redemption of such notes, but in no event less than 5 per centum. He may permit national banks, during the period for which such provisions are suspended, to issue additional circulation under the terms and conditions of the act referred to, as herein amended: Provided further, the Secretary of the Treasury, in his discretion, is further authorized to extend the benefits of this act to all qualified State banks and trust companies which have joined the Federal Reserve system, or which may contract to join within fifteen days after the passage of this act."

Modern Financial Institutions and Their Equipment

The First National Bank of Williamsport, Pa.

THE impressive history of success making up the more than fifty years' existence of the First National Bank of Williamsport, Pa., contains some striking facts.

In the first place, the bank is as old as the national banking system itself, having been organized in 1863, the year in which the National Bank Act was passed, and when there were only 174 other national banks in existence.

In point of age the bank now ranks eighty-third among all the banks in the United States under the national banking system, sixteenth oldest in Pennsylvania, and is the oldest and strongest national bank in its section of the State.

In fifty years and more the bank has had but three presidents, four vice-presidents and three cashiers.

The bank has never missed a dividend and has earned net $1,801,596.91.

It has never consolidated with, bought out or absorbed any other financial institution, but has gained its success by a continued steady growth in public confidence.

Finally, at the end of fifty years it completed and occupied a modern eight-story building.

These statements are confirmatory of the wisdom of the bank's sound policy in never encouraging speculation, giving facilities only to legitimate enterprises and treating its customers liberally, remembering that their prosperity was essential to the bank's success.

FOUNDING OF THE BANK

THE bank was founded to meet the then existing need for banking facilities in Williamsport, there being but one other real bank in the city. On December 3, 1863, Abram Updegraff, Stephen Gould, James V. Brown, B. H. Taylor, L. A. Ensworth, Samuel Love, George Bubb, Peter Herdic, Robert Faries, Hiram Mudge, A. L. Nichols, Lewis Jamison, Levi Hartman, A. A. Winegardner and Charles Fields formed the organization and started the bank on its prosperous career. It succeeded from the start, and before the end of 1864 had deposits of over $196,000.

The first president was Abram Updegraff, who was at the time one of the leading men of the community, of rugged character, great intelligence, and firmly imbued with love of his country and confident in its future during the trying times of the Civil War. In founding the bank he had in mind the idea of helping the Government,

NEW BUILDING FIRST NATIONAL BANK, WILLIAMSPORT, PA.

and as soon as the bank was opened it became a fiscal agent for the United States. Mr. Updegraff continued to be the head of the bank from 1863 to 1884. Hiram Mudge was cashier from the time of organization until 1871.

In 1884 J. A. Beeber succeeded Mr. Updegraff as president, and in 1871 Wm. H. Sloan became cashier. Mr. Sloan had entered the bank a few months after it opened and spent his lifetime in its service. Beginning in a subordinate position, he worked himself up to the office of cashier in 1871, holding the place until 1906, a period of thirty-five years.

It was not until 1877 that a vice-president was elected, the first to hold that office being E. B. Campbell, who continued in the position until 1890, when the vice-presidency became vacant and no successor to Mr. Campbell was chosen until 1907. In that year James J. Gibson was chosen and still remains as first vice-president. In 1912 William P. Beeber was elected second vice-president, but in the same year was promoted to the presidency, his successor in the vice-presidency being Henry D. Brown.

The payment of dividends was begun July 10, 1864, and from that time until the present no semi-annual dividend has been missed. In fifty and one-half years the bank has paid out in dividends over $1,200,000, besides retaining $500,000 in the surplus fund, making the total net earnings $1,801,596.81.

MAIN BANKING ROOM
FIRST NATIONAL BANK, WILLIAMSPORT, PA.

Deposits have kept steadily growing, as may be seen from the accompanying figures giving the amounts on the dates named.

Dec. 3, 1864	$196,364.19
Dec. 1, 1873	243,383.04
Dec. 3, 1883	426,741.04
Dec. 4, 1893	541,826.98
Dec. 3, 1903	1,078,081.24
Nov. 24, 1913	1,482,245.78
July 1, 1914	1,618,957.82

William P. Beeber, President
FIRST NATIONAL BANK, WILLIAMSPORT, PA.

J. J. Gibson, Vice-President H. D. Brown, Vice-President
FIRST NATIONAL BANK, WILLIAMSPORT, PA.

OFFICERS' QUARTERS
FIRST NATIONAL BANK, WILLIAMSPORT, PA.

THE BANK'S NEW BUILDING

THE first home of the bank was in a substantial structure at Third and Court streets which was remodeled about 1882, and continued to be used (except during re-building, when temporary quarters were rented) until May 9, 1914, when the bank moved into its splendid new home.

This structure is familiarly called the "Pride of Lycoming County," and is the only thoroughly modern banking home in Williamsport, the only building in the city of steel and fireproof construction, and the only modern office building. Steel, stone and marble have been employed in a manner to give strength and the beauty of dignified simplicity in the construction.

The main banking room is spacious and beautiful. Entrance is through a unique loggia. To the right are the officers' quarters and a private consultation room and beyond that the counter and wickets and working space.

D. A. SLOATMAN, CASHIER

DIRECTORS' ROOM
FIRST NATIONAL BANK, WILLIAMSPORT, PA.

LADIES' ROOM

On the left are the ladies' room, customers' room and the safe-deposit department. The vault is the modern round-door type, of heavy construction. It is fireproof and waterproof and in safety ranks with the very best in the country.

Above the vault and on the mezzanine floor are directors' room, storage vault and kitchenette. On the main floor the book vault is separated from the other vault, and as a matter of sentiment the door to the book vault is the old door of the original vault in the bank. The contrast between this old door and the modern round vault door is quite marked.

Throughout the bank everything essential to convenience, comfort and safety can be found. Besides the rooms already mentioned there are coupon booths, telephone exchange, and a room for the use of customers in making up payrolls. The furnishings of the officers' quarters, the ladies' room and the directors' room are especially notable, while everywhere the equipment is elegant in appearance and perfect in its adaptability to the best service. Behind the banking screen the floor is laid with noiseless cork, and the desks and counters are likewise covered with it. The lighting, ventilation and heating systems are the best that modern skill could provide. Above the banking rooms are six floors of modern offices, entrance to these being through an independent hallway at the left of the banking rooms. Two high-speed electric elevators serve the upper floors.

MAIN VAULT
FIRST NATIONAL BANK, WILLIAMSPORT, PA.

THE MANAGEMENT

THIS unbroken record of success—the uninterrupted dividends, the growth of business, the splendid building—all this represents what the officers and directors have done in creating an institution founded on sound principles, and whose aim has been, first and and last, to provide the people of its own community with the facilities of a safe commercial bank. Very few banks anywhere can show, in the same time, so few changes in officers. Indeed, while there have actually been three presidents in the more than fifty years, the present president, Wm. P. Beeber, is a son of the former president, and on the maternal side related to the first president. When Mr. Beeber was made president in 1912 he was succeeded as vice-president by Henry D. Brown, who had been a director of the bank since 1904.

James J. Gibson, vice president since 1907, has been a director for over thirty-one years.

The cashier, David A. Sloatman, entered the bank in 1886, and in his twenty-eight years of service has worked through every grade, reaching his present position in 1907.

The present directors are: Wm. P. Beeber, James J. Gibson, Henry D. Brown, Wm. C. Riley, D. A. Howe, Valentine C. Luppert, John M. Young, Jerome Moltz and G. W. Crooks. In the fifty years the bank has had but forty directors.

In addition to its success as a national bank, the First National Bank of Williamsport has inaugurated a savings department which in six months has attracted over 3,500 accounts.

The history of this bank from the day it was founded until now has been an unbroken story of deserved success based upon adherence to sound banking principles and methods combined with the best possible banking service to the people of its community.

A Leading Texas Banker

THE recent merger of the Guaranty State Bank and Trust Company and the Commonwealth National Bank of Dallas, Texas, into a new institution—the Security National Bank, with total resources approximating $10,000,000—has served to direct attention to the leading spirit in the new bank. This is D. E. Waggoner, the president, who is a native Texan, having been born in Fannin County in 1867. At the age of forty-seven years he has reached a very prominent position in the banking world—a position attained by hard work and close attention to business, coupled with exceptional ability to see opportunities and to take advantage of them.

Like many successful American business men, Mr. Waggoner was raised on a farm, and his education—again like that of many of our most prominent leaders in banking, commerce and industry—stopped with the common school.

His banking career began in 1890 as assistant cashier of the First National Bank, Ladonia, Texas, and later he was promoted to be cashier. In 1900 Mr. Waggoner went to Cleburne, Texas, as cashier of the National Bank of Cleburne, and remained here for four years when he was offered the position of vice-president of the Gaston National Bank of Dallas, which bank he assisted in or-

ganizing. This bank was very successful. Mr. Waggoner sold his interests, together with those of his associates, to Messrs. Jno. W. Wright and R. P. Wofford, who consolidated its business with that of the Commonwealth National Bank in May, 1909.

In October, 1909, Mr. Waggoner saw an opportunity for organizing a large State bank in Dallas, and he accordingly organized the Guaranty State Bank and Trust Company, with $400,000 capital and became president. The success of this bank was immediate, its capital being increased first to $600,000 and then to $1,000,000 with $350,000 surplus, and deposits of about $4,000,000.

On June 1, 1914, the Guaranty State Bank and Trust Company and the Commonwealth National Bank were merged into the Security National Bank, with $1,500,000 capital, $500,000 surplus, deposits of nearly $7,000,000, and total resources of almost $10,000,000. Mr. Waggoner was elected to head the new bank—a position for which he is certainly well

D. E. Waggoner
PRESIDENT SECURITY NATIONAL BANK, DALLAS, TEXAS

qualified by his long and eminently successful banking experience and his native ability as a financier.

Besides being the chief executive of the Security National Bank of Dallas, Mr. Waggoner is a director in probably half a dozen other Texas banks, is a director and member of the executive committee of the Texas Traction Co. and a member of the committee appointed by the United States Government to pass upon collaterals offered by the banks as security for deposits of public funds.

DAVENPORT HOTEL, SPOKANE, WASHINGTON

THE new Davenport Hotel, at Spokane, Washington, in which many bankers are interested, is an imposing structure, as may be seen from the accompanying illustration. It represents an expenditure of $2,250,000, and typifies the progressive spirit of this live western city.

Foreign Banking and Finance

European

THE GREAT CRISIS

MUCH space is given in current London banking and financial periodicals to the measures taken to preserve public credit during what the London "Bankers Magazine" styles "The Great Crisis." The extension of the bank holiday of August 3 up to and including August 6, the proclaiming of a month's moratorium as regards bills of exchange, the issue of £1 and ten-shilling legal-tender notes, the proclaiming of a general moratorium on August 6, facilities granted by the Bank of England against deposits of gold in various parts of the colonies, the announcement on August 18 of the British Government's willingness to take temporarily the burden of all ante-moratorium bills, without recourse to the holder, the closing of the Stock Exchange prior to the events already recorded—these are a few of the very striking things that have been done in England in the attempt to save the situation. These expedients have helped immensely, though, of course, there has been some criticism of the banks, replied to thus forcefully by "The Economist":

"In justice to our bankers and financiers it should be remembered that so far they have financed the war through Treasury bills on terms highly favorable to the taxpayers and the Government. Secondly, in times like these, with the Stock Exchange closed, and paper securities practically unsalable, banks cannot lend freely, certainly not adventurously. Even with the assistance of the Government guarantee of bills, banks cannot be in the same liquid state in which they were before the war, and what is far more important than the question whether a few hundred factories and a few thousand merchants should be financed on borrowed money (to enable them to stock goods in a falling market) is that the safety and security of the banks themselves should remain unimpaired. We should be sorry indeed if the Government were to bring pressure upon the banks to lend money freely on bad security, or on no security. A better way by far than this would be for the Government to distribute its orders fairly in order that as far as possible general half-time should be substituted for the full employment and the unemployment system. We hear of woolen and worsted factories which are on full time or overtime on account of the orders distributed by the War Office, while many others are in a state of extreme distress.

"The Chancellor of the Exchequer gives out * * * that the Government guarantee was granted, not to make the banks secure, but to finance trade and restore the foreign exchanges. In our humble judgment, the best reason for a very questionable step was the one which he has disavowed. If our great banks got into real difficulties by overlending or by failing to maintain a proper proportion of liquid assets, the slight and fictitious boom in trade which a free and easy finance might produce would be dearly bought by a later catastrophe of credit. The banks, we are certain, will do all that they can to satisfy the necessities of their customers and the legitimate demands of trustworthy traders. They cannot prevent the restriction of consumption and the cessation of orders. They cannot discount trade bills which are not coming forward. They cannot open the Stock Exchanges of the world, or put an end to an almost universal moratorium. Their first duty is the duty of self-

preservation, their secondary duties are those which the Chancellor of the Exchequer, with an impatience we can excuse but cannot support, has chosen to put in the forefront."

DECLINE IN SECURITY VALUES

COMPARING the value of 387 representative securities on July 20 and July 30, the London "Bankers Magazine" finds that there was a decline in value amounting to £187,992,000—a record depreciation.

BANK OF ENGLAND

A RECENT addition of £25,000 to the "rest" of the Bank of England, says "The Statist," raises that item to £3,717,000, as against £3,669.000 a year ago. The amount available over and above the irreducible minimum of £3,000,000 means that the bank will be able to distribute a dividend at the rate of ten per cent. per annum, as against nine per cent. a year ago. For the six months ended March last it may be recalled the dividend was raised from nine per cent. to ten per cent. But whereas for more than a generation the rate has been declared free of income tax, now the tax is deducted. Consequently the dividend is not a full ten per cent., although, having regard to the magnitude of the capital of the Bank of England, the return is a very handsome one.

FINANCIAL CONDITIONS IN FRANCE

UNDER date of September 16 the Chamber of Commerce of the State of New York sent out the following communication from C. Peixotto, acting president of the American Chamber of Commerce in Paris:

The war has created a financial situation in France which should be brought to the attention of American bankers. On August 3rd the moratorium was decreed. This means that ordinary business payments are postponed. It has practically put an end to banking accommodations. Similar conditions prevail in all belligerent countries. In France, outside of money to pay workmen and clerks, a depositor may draw out only Frs. 250 and five per cent. of his remaining deposit, until further notice. Within a few days it has become possible to draw out an additional ten per cent.

American houses have, in the regular order of business, recently drawn against French companies, either their own branch or a house with which they have long had relations. These drafts, which were accepted by the French houses, are coming due, and those since August 3rd fall under the effects of the moratorium. As collections are practically impossible for the time being, French concerns, even those having large deposits here, cannot pay these maturing drafts because of the restrictions of the moratorium. This virtual suspension of business payments will probably be further prolonged by another decree of the French government, but the conditions will be somewhat modified.

Financial conditions, particularly in France, have shown some improvement within a few days. You, no doubt, have learned from the newspapers that cable transfers are becoming more nearly normal. Actual transactions are being made either through the deposit of funds by the buyer at New York, or by the payment of the buyer here in exchange for documents. We, therefore, urge that you give the fullest publicity to the situation in Europe, and point out that American bankers who have discounted drafts on French and other European houses, should exercise such indulgence as circumstances require, and should not create a hardship by calling upon the drawers in America of such drafts for immediate reimbursement. If all who are concerned with Franco-American trade, particularly banking houses, will be unusually patient for a short time, it is probable that we shall soon see a considerable revival of Franco-American trade as well as of French industry. As the United States is the one great country which is now neutral, and as the commerce between France and the United States should be very large on both sides, American manufacturers, exporters, and consequently bankers, have much to gain by a liberal attitude at this time.

Australasian

COMMERCIAL BANK OF AUSTRALIA, LIMITED

BECAUSE of failing health, Edward Smith has resigned as manager of the bank named above, his successor being John Bingle, heretofore accountant at the head office in Melbourne. G. A. Malloch succeeds Mr. Bingle as accountant at the head office, where he has been sub-accountant.

COMMERCIAL BANK OF AUSTRALIA, LIMITED

PROFITS of this bank for the half-year ending June 30 were £154,-844, which added to the balance from previous half-year made £162,534. A dividend of four per cent. was declared on the preferred shares and £9,875 carried forward.

NATIONAL BANK OF AUSTRALIA

IN the last two years the reserve fund of the National Bank of Australia has been increased to the extent of £150,000, and now stands at £465,000.

BANK OF NORTH QUEENSLAND, LTD

THE fifty-second half-yearly meeting of the shareholders of the above bank was held at the banking-house, Brisbane, July 17. Net profits for the half-year were £8,478—a

slight increase over the preceding period. It was stated in the report that the production of wool and the prices obtained were satisfactory, while the prospects for stock owners were never better.

The bank is erecting a new build ing in Sydney for its own use and for rental as offices.

Asiatic

CHINA WANTS U. S. BANKS

FROM the American minister at Peking comes this contribution to the discussion regarding the establishment of American banks abroad:

"The greatest deficiencies which prevent the development of American commerce and enterprise in China are the absence of financial institutions for handling foreign loans; the lack of an investment company which could subject proposed improvements to scrutiny and gather up the means for promoting sound enterprises; the lack of American commission houses; the lack of an organization of exporters with representation in important foreign markets, like China; and finally the lack of commercial attachés, who could assist the diplomatic missions and consular offices in coördinating and rendering more efficient the work now performed by these agencies.

"As individual banks in the United States, or for that matter in almost every country, are not so organized that they could readily engage in foreign business, and, as the scope of foreign business, especially in countries where new markets have to be gained, is such that it transcends the means of individual banks and their opportunities for placing investments, it becomes necessary that there should

be formed a financial institution or institutions broadly representative of American financial activities which could undertake the development of American financial and industrial interests abroad.

"In order that the American Government may give such support to financial institutions coming abroad as is given by other governments, it is desirable that these institutions should have the broadest possible—in fact, a quasi-public—character, and that they should be broadly representative of the financial energies of the Nation. If banking institutions for foreign commerce could take a form similar to that of the Federal Reserve Banks, created by the currency law, their representative character would be assured. At any rate, it is desirable that, for purposes of foreign trade, it should be made legal for financial institutions in the United States to unite in the creation of a banking institution which could perform for the country this service connected with foreign investment, which, under modern conditions, is necessary in order to prepare the way for the enlargement of our foreign commerce."

FINANCE AND BANKING IN BEIRUT

OUR consul at Beirut, Asiatic Turkey, makes the following report:

"The leading banks in Beirut are the Imperial Ottoman Bank, the Deutscher Palastina Bank, Messrs. G. Trad & Cie., Messrs. Pharaon & Chiha, and the Banque de Salonique, all of which handle more or less American business, both direct and indirect. The tendency lately has been for the banks to enter into more direct relations with American banks without the intervention of intermediary English and European banks. This simplification of business has resulted in slightly lowering the exchange rates between here and New York and in making bank exchanges easier between the two countries.

"During the calendar year 1913 the banks mentioned paid out the total sum of $1,646,451 on account of moneys sent from or drawn from the United States and payable here. During the same period they took in the total sum of $233,581, which was either drawn for by American exporters or was deposited here for remittance to the United States."

SUMITOMO BANK, LIMITED

THE fifth half-yearly report of the Sumitomo Bank, Limited, of Osaka, Japan, for the period ending June 30, showed:

Balance brought forward, yen...	280,447.33
Reserve for doubtful debts......	30,000.00
Net profit for half-year........	424,850.53
Total, yen	735,297.86

Out of this the reserve fund was in-

creased by 150,000 yen; dividends absorbed an equal sum; 50,000 was allotted for doubtful debts; pension reserve and bonus, 80,900, leaving 304,397.86 to be carried forward.

That the items in the balance-sheet are carried at a conservative figure is indicated by the fact that the building, costing $90,000, is put down at $30,000, and furniture and fixtures, costing $28,000, at only $1.00.

Latin-America

BANCO COLOMBIANO

THIS institution, located at Guatemala, C. A., reported net earnings of $726,749 for the first half of 1914. A dividend of $260 per share was declared, and after making the ordinary provisions $54,233.78 was passed to credit of reserve fund, leaving $24,387.19 in the undivided profits. The Banco Colombiano has $2,110,000 paid-up capital and a reserve fund of $4,924,666.22.

BANCO AGRICOLA COMERCIAL, SAN SALVADOR

BESIDES providing for an increase of the capital by $500,000, the shareholders' meeting of this bank on July 14 reported gross earnings for the first half of 1914 at $91,670.18, and net earnings, $51,469.52. Of the latter sum $50,000 was applied to dividends and $1,469.52 added to reserve fund.

Deposits and current accounts at June 30 were $686,454.05.

GROWTH OF BANKING IN THE ARGENTINE

THE commercial section of the Ministry of Agriculture has published a report on internal trade based on the census data relative to Argentine banking and insurance. The following figures are taken from this report, all values being converted to United States currency:

The international trade of the Republic in 1872 totaled $105,043,000, with a note circulation of $14,869,000. The budget was $25,528,500. In that year there were only four banks in the Republic.

In 1913 the total of international trade was $872,926,000, with a note circulation of $349,443,000. The budget for 1913 was $177,958,000.

In 1900 the number of banking institutions had increased to forty-two; by 1905 there were sixty-seven; in 1910 the number had further increased to 123; and in 1913 there were 143. Of these 143 banks, ninety-two were of discounts and deposits—eighty-one Argentine and eleven foreign; twenty-three hypothecary—ten Argentine and thirteen foreign; sixteen building and

loan banks—all Argentine; one Argentine and one foreign pension bank; and ten Argentine banks for loans on pledges.

The realized capital of these 143 banks on June 30, 1913, totaled $582,-924,000, of which 38.44 per cent. was in bonds and 61.56 per cent. in cash. The bonds and $80,971,000 in cash were held by the State banks.

The authorized capital of private banks was $413,110,500, subscribed to $319,218,500, and the total realized was $247,121,500.

Bank reserves on June 30, 1913, were $229,524,500, with a total in circulation of notes, nickel and copper coins of $381,601,500. The difference between the two gives $152,077,000, or approximately 40 per cent. in the hands of the public. Deposits in paper and gold totaled $781,490,000.

Interior drafts bought and sold for the year ended June 30, 1913, amounted to $1,060,887,000 and foreign drafts $802,734,500.

On June 30, 1913, there were 10,-834 persons employed in the various banks of the Republic.

BANK OF COSTA RICA

EARNINGS of the Banco de Costa Rica, San Jose, as shown in the report of July 15, were (including $3,716.36 balance) $400,587.96. A dividend at the rate of ten per cent. absorbed $200,000 of this, $70,000 was added to reserve fund, and after making the necessary provisions $2,049 was carried forward.

The capital is now $2,000,000, reserve fund, $470,000, and there is a special reserve of $72,008.

BANCO DE GUATEMALA

AT the shareholders' meeting in July net earnings of $2,020,-604.96 were reported. Dividends absorbed $821,236.29 of this amount, and $1,111,868 was carried to the reserve funds, making the total now $9,235,129. The subscribed capital is $2,500,000, and the circulation $41,-031,016.

Cuba

PROPOSED CUBAN NATIONAL BANK

A PROJECT of law has been presented to the Congress of Cuba for the creation of a national bank for the emission and coinage of Cuban money in gold, silver and copper. This money will have the same value as American money. The proposed law establishes guarantees for the emission of bank notes.

The creation of a currency bank, with the privileges enjoyed by the Spanish Bank of the Island of Cuba

up to the close of the colonial régime, was urged by President Menocal in his message.

The President urged that the bank should enjoy an exclusive concession for fifty years. with a capital of $20,-000.000 and power to issue double the amount of its gold and silver of the same fineness and weight as that of the United States, Cuban capital to be given preference to subscribe the stock. The coinage of fractional currency was also recommended. The money now in use officially on the island is American, although business is transacted also with Spanish and French gold coin and Spanish silver money.

Bankers' Health Commission

THE Bankers' Health Commission has been organized and will be conducted for the purpose of promoting or providing (1) health resorts where invalid bankers may obtain suitable accommodations on favorable terms; (2) ways and means of improving sanitary conditions in banking institutions: (3) physical culture tending to secure healthfulness and increase efficiency among bank officers and employees. The commission conducts a bureau of information covering subjects pertaining to the province of its purposes.

Any bank, trust company or savings institution may be an institutional member of the commission upon election and payment of annual dues of one dollar—plus one cent for each officer and employee. Institutional members are entitled to maintain their invalid officers and employees at resorts identified with the commission in accordance with such terms and conditions as the commision may obtain or provide.

Any officer or employee of a bank, trust company or savings institution may be an individual member of the commission upon election and payment of annual dues of fifty cents. Individual members are entitled to accommodations for themselves at resorts identified with the commission on such terms and under such conditions as the commission may obtain or provide.

The membership committee is comprised of the following well-known bank officers:

E. D. Hulbert. vice-president Merchants Loan and Trust Company, Chicago; G. M. Reynolds, president Continental and Commercial National Bank, Chicago; W. E. Frew, president Corn Exchange Bank, New York; J. H. Puelicher, vice-president Marshall & Ilsley Bank, Milwaukee; D. C. Wills, cashier Diamond National Bank, Pittsburgh.

George E. Allen. 5 Nassau street, New York. is secretary of the commission.

Sound Advice

From the Annual Address of President E. J. Dreher of the American Institute of Banking

ONE major thought I would leave with you, one appeal I would make to you. Individually you will fail as bankers and citizens, if your goal is "shorter hours, more money, better food, less work." This is the ambition of inexorable deterioration. In more service, more learning, is your strength. This has ever been the Institute ideal.

E. St. Elmo Lewis

VICE-PRESIDENT AND GENERAL MANAGER ART METAL CONSTRUCTION CO., JAMESTOWN, N. Y.

AFTER long and notably successful service as advertising manager of the Burroughs Adding Machine Company of Detroit, E. St. Elmo Lewis has accepted the position of vice-president and general manager of the Art Metal Construction Company of Jamestown, N. Y.

Mr. Lewis, by his native ability, ceaseless industry and rare good judgment made the Burroughs advertising distinctive and exceedingly effective. He not only showed extraordinary ability as an advertising man, but gained a solid reputation for his work in behalf of efficient business methods, so that he was frequently called on to address meetings of bankers and other business men. He became vice-president of the Association of National Advertising Managers, director of the Associated Advertising Clubs of America, vice-president of the National Association of Corporation Schools, and sustained an important official relation to the Detroit Board of Commerce.

Mr. Lewis was a leading factor in building up the large sales for the Burroughs Adding Machines, and while his new relation will enable him to further demonstrate his business capacity, it will likewise give him better opportunities of carrying on the other activities to which he has long been so successfully devoted.

American Bankers Association

Official Programme of the Fortieth Annual Convention of the American Bankers Association at Richmond, Virginia, October 12th to 16th, 1914

JOINT SESSION OF THE TRUST COMPANY AND SAVINGS BANK SECTIONS.

Tuesday, October 13, 1914.

The Jefferson Hotel (Auditorium).

Ten O'Clock A. M.

ORDER OF PROCEEDINGS.

INVOCATION—Rev. Dr. J. J. Gravatt, Rector Holy Trinity Episcopal Church, Richmond.

ADDRESS—"The Future of State Institutions Under the Federal Reserve Act." H. Parker Willis, Associate Editor, Journal of Commerce, New York.

ADDRESS—"What Should Be the Attitude of State Banks, Savings Banks, and Trust Companies Toward the Federal Reserve System?" George M. Reynolds, President Continental and Commercial National Bank, Chicago.

DISCUSSION—Each speaker limited to five minutes.

ANNOUNCEMENTS.

ADJOURNMENT.

TRUST COMPANY SECTION.

Tuesday, October 13, 1914.

The Jefferson Hotel (Auditorium).

Ten O'Clock A. M.

JOINT SESSION WITH SAVINGS BANK SECTION.

AFTERNOON SESSION.

The Jefferson Hotel (Salon).

Two-Thirty O'Clock.

ANNUAL ADDRESS OF THE PRESIDENT—F. H. Goff, President Cleveland Trust Company, Cleveland, Ohio.

REPORT OF THE EXECUTIVE COMMITTEE—John H. Mason, Chairman, Vice-President Commercial Trust Company, Philadelphia, Pa.

REPORT OF THE SECRETARY—Philip S. Babcock.

ARTHUR REYNOLDS
PRESIDENT AMERICAN BANKERS ASSOCIATION; PRESIDENT DES MOINES NATIONAL BANK, DES MOINES, IOWA.

REPORT OF THE COMMITTEE ON LEGISLATION—F. H. Goff, Chairman, President Cleveland Trust Company, Cleveland, Ohio.

REPORT OF THE COMMITTEE ON PROTECTIVE LAWS—Lynn H. Dinkins, Chairman, President Interstate Trust & Banking Company, New Orleans, La.

REPORT OF SPECIAL COMMITTEE ON PROPOSED MODEL TRUST COMPANY LAW.

ROLL CALL OF STATES, to be answered by the Vice-President of the Section in brief written reports dealing with the history of the trust companies

in the several States during the preceding year, and with the conditions under which they are now operating, and other matters of interest now pertaining to them. (Vice-Presidents may be heard from in brief addresses amplifying or explaining any topics contained in their reports by giving previous notice of their intention to the Secretary.)

ELECTION AND INSTALLATION OF OFFICERS.

UNFINISHED BUSINESS.

SAVINGS BANK SECTION.

Tuesday, October 13, 1914.

The Jefferson Hotel (Auditorium).

Ten O'Clock A. M.

JOINT SESSION WITH TRUST COMPANY SECTION.

AFTERNOON SESSION.

The Jefferson Hotel (Auditorium).

Two-Thirty O'Clock.

PRESIDENT'S ADDRESS—J. F. Sartori, President Security Trust & Savings Bank, Los Angeles, Cal.

REPORT OF EXECUTIVE COMMITTEE—N. F. Hawley, Treasurer Farmers & Mechanics Savings Bank, Minneapolis, Minn.

REPORT OF SECRETARY—E. G. McWilliam, 5 Nassau Street, New York. (Adoption of By-Laws.)

REPORT OF METHODS AND SYSTEMS COMMITTEE—V. A. Lersner, Assistant Cashier Williamsburgh Savings Bank, Brooklyn, N. Y.

REPORT OF MEMBERSHIP COMMITTEE—G. E. Edwards, President Dollar Savings Bank, New York.

REPORT OF LAW AND SEGREGATION COMMITTEE—N. F. Hawley, Treasurer Farmers & Mechanics Savings Bank, Minneapolis, Minn.

REPORT OF SPECIAL COMMITTEE ON POSTAL SAVINGS LEGISLATION—E. L. Robinson, Vice-President Eutaw Savings Bank of Baltimore, Baltimore, Md.

ADDRESS—"Savings Bank Securities in the Light of Recent Events." A. M. Harris, Harris, Forbes & Company, New York.

ADDRESS—"Recent Amendments to Savings Bank Law of New York and Reasons for Such Amendments." E. C. McDougal, President Bank of Buffalo, Buffalo, N. Y. Member of Sub-Committee on Savings Banks of Commission appointed to revise banking law of New York.

ELECTION OF OFFICERS.

INSTALLATION OF OFFICERS.

ADJOURNMENT.

CLEARING HOUSE SECTION.

Tuesday, October 13, 1914.

The Jefferson Hotel (Salon).

ORDER OF PROCEEDINGS.

Ten O'Clock A. M.

CALL TO ORDER—President John K. Ottley.

INVOCATION—Rev. Frank T. McFauden, First Presbyterian Church.

ANNUAL ADDRESS OF THE PRESIDENT—John K. Ottley.

ANNUAL REPORT OF EXECUTIVE COMMITTEE—J. D. Ayres, Chairman.

ANNUAL REPORT OF THE SECRETARY—O. Howard Wolfe.

ACTION ON THE ABOVE REPORTS.

ADDRESS—"CREDITS FROM THE STANDPOINT OF A CERTIFIED PUBLIC ACCOUNTANT." Frederick H. Hurdman, New York City.

ADDRESS—"THE EFFECT OF THE FEDERAL RESERVE ACT UPON CLEARING HOUSE EXAMINATIONS." Francis Coates, Jr., Examiner Cleveland Clearing House Association, Cleveland, Ohio.

AFTERNOON SESSION.

The Jefferson Hotel (Palm Room).

Two-Thirty O'Clock.

CALL TO ORDER.

DISCUSSION—Upon the Rules and Regulations Governing the Operation of the Federal Reserve Banks.
Note.—Especial reference will be made to those regulations which will affect Clearing Houses.

NOMINATIONS AND ELECTIONS FOR:

President.

Vice-President.

Members of Executive Committee.

CALL OF CITIES.
Delegates will make brief reports.

QUESTIONS.

INSTALLATION OF OFFICERS ELECTED.

ADJOURNMENT.

Immediately upon adjournment the Executive Committee will meet for the purpose of electing its Chairman and Secretary of the Section.

STATE SECRETARIES SECTION.

Tuesday, October 13, 1914.

The Jefferson Hotel (Library).

ORDER OF PROCEEDINGS.

Ten O'Clock A. M.

MEETING CALLED TO ORDER BY THE PRESIDENT OF THE SECTION —W. J. Henry, New York City.

The meeting will assume the character of an INFORMAL CONFERENCE for the practical discussion of subjects relating primarily to the work of State Bankers' Associations, and to the duties and functions of State Secretaries. There will be no set speeches and no papers read.

NEW BUSINESS.

ELECTION AND INSTALLATION OF OFFICERS.

ADJOURNMENT.

N. B.—The Conference will adjourn at 1 o'clock for luncheon, to be arranged for the Secretaries at the Jefferson Hotel. The Conference discussion will be resumed after luncheon.

BUSINESS SESSIONS OF THE ASSOCIATION.

Wednesday and Thursday, October 14 and 15, 1914.

The Jefferson Hotel (Auditorium).

(Subject to change by vote of the Executive Council or by vote of the Convention.)

The hours indicated in this program will be strictly observed.

Executive Council, Vice-Presidents and Honorary Guests are invited to take seats on the platform.

WEDNESDAY, OCTOBER 14, 1914.

FIRST DAY'S SESSION.

The Jefferson Hotel (Auditorium).

CONVENTION CALLED TO ORDER at 9.30 o'clock A. M., sharp, by the President, Arthur Reynolds.

INVOCATION by Rt. Rev. Collins Denny, Bishop Methodist Episcopal Church South, Richmond.

ADDRESSES OF WELCOME:

Hon. Henry C. Stuart, Governor of Virginia.

Hon. George Ainslie, Mayor, City of Richmond.

Col. John B. Purcell, President Richmond Clearing House Association.

RESPONSE TO ADDRESSES OF WELCOME AND ANNUAL ADDRESS:

Arthur Reynolds, Des Moines, Iowa, President.

ANNUAL REPORT OF THE GENERAL SECRETARY:

Fred E. Farnsworth, New York City.

ANNUAL REPORT OF THE TREASURER:

J. W. Hoopes, Galveston, Texas.

ANNUAL REPORT OF THE GENERAL COUNSEL:

Thomas B. Paton, New York City.

ANNUAL REPORT OF THE EXECUTIVE COUNCIL:

President, Arthur Reynolds, Chairman.

ANNUAL REPORT OF THE PROTECTIVE COMMITTEE:

Fred E. Farnsworth, Secretary.

REPORTS OF SECTIONS AND COMMITTEES.

ADDRESS:

Hon. Martin W. Littleton, New York City.

ANNOUNCEMENTS:

Recess for luncheon.

AFTERNOON SESSION.

Two O'Clock.

ADDRESS:

Hon. Carter Glass, Chairman Committee on Banking and Currency of the House of Representatives, "Federal Reserve System."

ADDRESS:

(Speaker to be announced.)

Discussion on the above subject led by the members of the Currency Commission of The American Bankers Association.

Three O'Clock.

ANNOUNCEMENTS.

ADJOURNMENT.

THURSDAY, OCTOBER 15, 1914.

Second Day's Session.

The Jefferson Hotel (Auditorium).

CONVENTION CALLED TO ORDER at 9.30 o'clock sharp by the President, Arthur Reynolds.

INVOCATION by Rt. Rev. D. J. O'Connell, Bishop of the Diocese of Virginia.

AGRICULTURAL SYMPOSIUM:

Report of the Agricultural Commission: B. F. Harris, Champaign, Ill., Chairman.

ACTION ON REPORT.

SHORT ADDRESSES:

Hon. Logan Waller Page, Director, Office of Public Roads, U. S. Department of Agriculture, Washington, D. C., "Fundamental Problems in Highway Improvement."

Edward K. Graham, President of the University of North Carolina, Chapel Hill, N. C., "The Banker and the Larger Citizenship."

Dr. C. G. Hopkins, Department of Soil, University of Illinois, Champaign, Ill., "Soil Fertility: Greatest Necessity and the Best Investment."

J. D. Eggleston, President of the Virginia Polytechnic Institute, Blacksburg, Va., "Educating the Producer."

ANNOUNCEMENTS.

Recess for luncheon.

AFTERNOON SESSION.

Two O'Clock.

ADDRESS—TO BE ANNOUNCED.

REPORTS OF COMMITTEES.

INVITATIONS FOR NEXT CONVENTION.

UNFINISHED BUSINESS.

COMMUNICATIONS FROM EXECUTIVE COUNCIL.

RESOLUTIONS.

REPORT OF COMMITTEE ON NOMINATIONS.

ACTION ON SAME.

INSTALLATION OF OFFICERS.

ANNOUNCEMENTS.

ADJOURNMENT, *sine die.*

At the close of the Convention a meeting of the new Executive Council for organization will be held at the Jefferson Hotel.

The Awful Folly of it All

DISCUSSING the war, the monthly review of the National City Bank of Chicago says:

"It is too early yet to discuss the ultimate effect of the war upon business in the United States. In some respects the influence must be depressing. Every great war means a fearful waste, and whenever that occurs the whole world has to foot the bill. In this instance with half the population of civilized countries affected, and the total waste likely to exceed anything of the kind previously witnessed, the readjustment forced upon other nations must be very heavy. It is ridiculous to say—as has been said in some quarters—that war helps business. It is always a detriment in the long run. In the nature of things it cannot be anything else.

"One blessing likely to come, however, will be the utter disgust of civilized nations upon their realization of the bloodshed and the total waste involved in this the greatest of all wars, and possibly a keen sense of humiliation that such a thing could happen in this enlightened age. Then when the people start to pay the bills, and have to reckon with the destruction of so many useful lives, the sense of wrong and injustice should be so great as to give rise to the most extraordinary peace movement that the world has ever seen. That in itself would be a great achievement; but the pity of it is that the nations affected had to tolerate wholesale murder before discovering the awful folly of it all."

Richmond Ready for the Convention

From a Special Correspondent of The Bankers Magazine

Richmond, Va., Sept. 28.

RICHMOND bankers are hopeful that the Federal Reserve Bank for this district will be opened by the time the annual meeting of the American Bankers Association is convened in this city the week of October 12. So far as Richmond and the Fifth District are concerned all is in readiness for the auspicious event.

The Richmond district was the first to appoint its directors, this feature of the organization having been effected a few weeks after the announcement was made that this city would get one of the new Federal financial institutions. The six directors to be appointed by the member banks of the district were chosen about two months ago.

ENTERTAINMENTS.

ONE of the most attractive features for the entertainment of the visiting bankers will be the concert at the City Auditorium. This attraction is scheduled for Wednesday evening, October 14, and those who will take part are Alma Gluck, soprano; Antonio Scotti, baritone, and Zimbalist, violinist, with some celebrated accompanist who has not as yet been selected. Gluck and Zimbalist have both appeared in Richmond and are great favorites here and the visitors will be delighted to hear these great artists. Scotti is a member of the Metropolitan Grand Opera Company and is regarded as one of the greatest baritones in the world.

The entertainment committee is determined to make the visit of the financial people interesting and attractive during the entire stay in Richmond. Nothing will be left undone to make it pleasant and the amusements will be so varied that every one is bound to have a good time. The trip down the river will be one of the big features, three steamers of the Virginia Navigation Company having been chartered to convey the bankers over the historic course of the big stream. A map of the river is being prepared showing the principal places of interest with a brief description of each. The landing will be at Jamestown Island where an old-fashioned dinner will be served and after an inspection of the places of interest on the Island the visitors will be taken to Newport News by rail.

At Newport News the bankers will visit the big ship building plant and the United States fort at Old Point Comfort and other places of interest, after which they will return to Richmond by rail. W. Meade Addison, cashier of the First National Bank, is chairman of the boat trip committee. The steamers Pocahontas, Mobjack and Smithfield will be used to convey the visitors down the river.

Lovers of golf who come to the convention will have full opportunity to enjoy this sport while in Richmond. The directors of the Country Club and the Hermitage Golf Club have extended the hospitality of their clubs and the use of the links to the visitors. A golf tournament is being arranged and will be participated in by some of the most expert players who will be in attendance upon the convention. W. R. Trigg is chairman of the golf committee.

The "Governers Ball" will be the

closing social function of the week and will no doubt be the most elaborate entertainment of the convention. The grand reception and ball will take place on Tuesday night and will possibly be held in the Blues armory. Governor Stuart will head the receiving line and hundreds of persons prominent in the social life of the city and state will aid in the receiving of the visitors and extending true Virginia hospitality.

Realizing that the hotels will be over crowded during the convention week, the hotel committee, with Colonel Thomas B. McAdams, vice-president and cashier of the Merchants National Bank, chairman, is arranging to have some of the visitors entertained in private homes. This it is said will relieve the congested situation and will afford ample accommodation for the guests. Already more than 2,000 registrations have been made. It is expected that 4,000 delegates will be present.

An attractive exhibit of Richmond-made goods is permanently housed in three floors of the Chamber of Commerce building and will be one of the points of special interest which will appeal to visitors.

This exhibit shows the diversity and magnitude of the manufacturing interests of Richmond and is maintained permanently by the city and those manufacturers having displays in the building. The idea is modern, and educational, and Richmond is one of a very few cities which have adopted the plan.

Numerous banquets, receptions and special functions are being arranged by clubs and other organizations.

Some of these will be given by the City Council, Reserve City Bankers Association, Shriners, Elks, Rotary Club, Richmond Clearing House, Chamber of Commerce and Richmond Advertisers Club.

These organizations are coöperating with the Richmond bankers in carrying out a programme which will doubtless, in many respects, make this the most unique and enjoyable of any convention ever held by the American Bankers Association.

"Little Journeys to Big Industrial Plants," is the appropriate title of an illustrated booklet which is being prepared and will be presented to each visitor.

Richmond enjoys the distinction of having within its limits some of the largest manufacturing plants in the world, in their respective lines; and several of these are making elaborate plans for the entertainment of those delegates and guests who desire to avail themselves of the opportunity to investigate these wonderful factories.

The tobacco factories will be of especial interest to many who attend this convention.

Many special functions are being arranged for the pleasure and entertainment of the ladies who accompany delegates and guests.

Chief among these is a reception and tea to be given at the Commonwealth Club on Monday afternoon and the luncheon to be given at the beautiful Country Club of Virginia on Wednesday.

Many minor social events, concerts and theatre parties, will be given and there will be automobile rides to various points of interest in and around the city. The special committee in charge of this department have arranged a most enjoyable programme for the ladies.

The following entertainment programme has been arranged for the convention week:

MONDAY, OCTOBER 12—

MORNING:

Automobile rides to points of interest in and around the City of Richmond for delegates, guests and ladies.

AFTERNOON:

Tea at Commonwealth Club at 5 p. m. for ladies of visiting delegates and guests.

EVENING:

Banquet given by Reserve City Bankers Association.
Function given by the local Rotary Club to visiting members.
Function given by the local Elks to visiting Elks.

TUESDAY, OCTOBER 13—

MORNING:

Automobile rides to points of interest.

EVENING:

Governor's Ball and Reception at the Blues Armory.
Reception at 9 p. m., dancing 10 p. m.

WEDNESDAY, OCTOBER 14—

MORNING:

Automobile tours to points of interest.

AFTERNOON:

Luncheon at the Country Club for ladies, 1.30 p. m.

EVENING:

Musical at the Auditorium, 8.15 p. m.
Alma Gluck, Soprano; Antonio Scotti, Baritone; Zimbalist, Violinist.

THURSDAY, OCTOBER 15—

MORNING:

Automobile rides to points of interest.

EVENING:

Function given by the Richmond Advertisers Club.
Other functions in preparation by other local organizations.

FRIDAY, OCTOBER 16—

Boat trip down the historic James River, leaving wharf at 8 a. m., visiting Jamestown Island, thence by boat to Newport News, returning by train and arriving at Richmond 7.30 p. m.
Golf Tournament throughout the week at Country Club of Virginia and Hermitage Golf Club.

Consumption of Pie by Bank Clerks

IT has not often happened that this MAGAZINE has presumed to question the accuracy of any statement put out by a bank or trust company; but the interests of truth are too sacred to be sacrificed and one of our most cherished institutions must be sustained at all hazards.

There has come to hand a story describing a certain branch of the welfare department of one of the large trust companies of New York—a lunch room for the exclusive use of employees. It is said that in this lunch room there are "approximately 350 'little mouths' to be fed daily." "Another interesting fact," says the report, "is the amount of food consumed in, say, a week's time: Meat—all kinds, 650 pounds; fish, 300 pounds; soup, 250 gallons; bread, 250 loaves; milk, 600 quarts; cream, twenty-five quarts; potatoes, five bags; pies—all kinds, 150; butter, seventy-five pounds; coffee, twenty-five pounds; ice cream—per day, fifty quarts; large quantities of fresh vegetables in season; also large quantities of desserts which range from floating islands to bread-and-butter pudding."

These figures are probably about correct except as to the quantity of pie consumed. One hundred and fifty pies a week would give twenty-five for each working day; or, if divided into quarters—the normal size—100 pieces.

Is it to be supposed that 350 "little mouths" would consume but 100 pieces of pie daily?

Or if we accept the improbable theory that the dispenser of the pies cuts them into eighths instead of quarters, here we have 200 pieces and there is still a deficiency of 150 compared to the mouths to be filled.

This apparent underconsumption of pie is by no means a trivial matter, for the health of the average American is gauged by his ability to eat pie, and that the bank clerks of New York were not taking their normal share of this delicacy would be a cause for a Government investigation and report to be followed by appropriate legislation.

True enough, the compiler of the statistics referred to seeks to cover up the deficiency in pie consumption by referring to "large quantities of desserts which range from floating islands to bread-and-butter pudding," but what healthy American stomach, accustomed to pie, would be satisfied with such subterfuges as these?

Banking and Financial Notes

EASTERN STATES

New York City

—Pierre Jay, vice-president of the Bank of the Manhattan Company, has been appointed Federal Reserve Agent and chairman of the board of directors of the Federal Reserve Bank of New York. Prior to coming to New York Mr. Jay was Bank Commissioner of the State of Massachusetts.

—Respecting the creation of a gold fund of $100,000,000 to be employed in relieving the domestic and foreign credit situation, a committee composed of Albert H. Wiggin, William Woodward, James S. Alexander, Francis L. Hine, Jr., and Frank A. Vanderlip, has sent out the following letter to banks and trust companies:

"Gentlemen: A plan for securing the pledge of a gold fund of $100,000,000 to relieve the present foreign exchange situation has been formulated by a committee appointed at Washington on September 4, at the conference of delegates from the clearing-house associations of the various reserve and central reserve cities. This committee consists of James B. Forgan of Chicago, chairman; Levi L. Rue of Philadelphia, Benjamin Strong, Jr., of New York, Thomas P. Beal of Boston and Sol Wexler of New Orleans. The plan has received the approval of the Secretary of the Treasury and the Comptroller of the Currency, and the unanimous approval of the Federal Reserve Board. In accordance with the recommendations so approved, the clearing-house committee of the New York Clearing-House Association has appointed the undersigned a committee to represent the banks and trust companies of New York in securing the amount apportioned to the institutions of this city and to manage the transaction. We enclose a copy of the report made to the Federal Reserve Board by the committee above referred to.

"The banking and commercial interests of this country are suffering from the unprecedented derangement of our international trade and banking arrangements. European credits are curtailed and foreign exchange in volume is unobtainable. It is of fundamental importance that the credit of the corporations, firms and individuals of this country be maintained by the prompt payment of foreign indebtedness, and it is equally important that

our merchants and manufacturers be relieved of the expense and difficulties now imposed upon them in settling their foreign accounts.

"The Federal Reserve Board recognizes the necessity of providing an immediate solution of the problem and asks the coöperation of the entire country. The members of the Federal Reserve Board are Government officials and the membership of the Board includes the Secretary of the Treasury of the United States and the Comptroller of the Currency. The Federal Reserve Board is best able to cope with this international situation and proposes to give its endorsement and recommendation to a request to the banks and trust companies in all the central reserve and reserve cities of this country to subscribe to this gold fund, if it is evident that the banks of New York, Chicago, St. Louis, Boston and Philadelphia where the largest supplies of gold are held.. will coöperate.

"The problem is a national one. The apportionment of the amount of gold to be contributed by the various cities will be determined by the Federal Reserve Board, due consideration being given to present gold holdings. This plan cannot succeed without New York, and the ability of New York to do its share depends upon the willingness of each institution to help."

Accompanying the letter of invitation sent to the bankers by the committee was a copy of a communication that had been forwarded to Secretary of the Treasury McAdoo and the Federal Reserve Board covering recommendations looking to the formation of the proposed gold pool.

From all parts of the country have come liberal responses to this appeal and the required gold fund is not only assured but is already in course of collection. Shipments of gold have been made to Ottawa with markedly beneficial effects upon the foreign exchange situation.

—The Bank of the United States, a State institution, will raise its capital from $100,000 to $200,000.

—Indications of financial confidence are afforded by the recent large over-subscriptions for the New York city loan of $100,000,000, numerous applications for the loan having been received both from home and foreign sources.

—Jesse I. Straus of the firm of R. H. Macy & Company, is a new trustee of the Lincoln Trust Company.

—Formal permission has been granted by the Federal Reserve Board to the National City Bank to open branches at Rio de Janeiro, Brazil, and Buenos Aires, Argentina.

—Based upon careful investigation of the conduct of the banks of New York subsequent to the crisis caused by the war, the following statement has been issued by the Comptroller of the Currency:

"The inquiry developed the gratifying fact that since the closing of the New York Stock Exchange, not a single national bank of New York city had, according to the sworn statements of the banks, either sold or ordered sold the collateral held as security for all call loans because of omission to pay such loans, and that four-fifths of the banks have refrained from calling, since the closing of the Exchange, any of the outstanding loans, although requiring customers to furnish additional collateral where it was needed.

"A summary of the statements received shows that twenty-nine of the thirty-three national banks report that they have not discriminated against securities by requiring the withdrawal of any of the collateral held on their loans. Three banks report that customers were requested to withdraw from loans certain collateral which was regarded as unsatisfactory. One bank submitted a list of twenty-one stocks, about one-half of which were dividend payers, which they had requested their customers to withdraw from loans and to substitute other securities for those withdrawn.

"Twenty-nine banks report that they hold no loans upon which they are requiring customers to maintain a margin of more than twenty-five per cent. Four banks explained that they are requiring customers to maintain additional margins where certain classes of securities were held as collateral for loans."

—The Broadway Trust Company has made direct banking connections with Japan and has issued its first commercial letter of credit to an importer dealing in that country.

Importations heretofore have been made with the assistance of bankers in London and other European centers. Owing to the condition of the foreign exchange market, American bankers have seized this opportunity to eliminate the European intermediary, thus effecting a reduction in both time and cost.

—Deposits of the Hanover National Bank, as shown by the statement made to the Comptroller of the Currency on September 12, were $92,125,509.09. The capital of the Hanover National Bank is $3,000,000; surplus fund, $14,000,000, and undivided profits, $1,292,109.60. Total resources exceed $121,500,000. On the date given above specie and legal tenders aggregated $22,212,302.60.

—Under the title of "History Repeats Itself," the Bank of the Manhattan Company has published a pamphlet showing that in September, 1814, the local banks—owing to the war with Great Britain—were coöperating for their own safety and for the public welfare much as they were in September of this year, a hundred years later.

—Alexander J. Hemphill president of the Guaranty Trust Company of New York, has been elected a di-

rector of the Fidelity and Casualty Company of New York to succeed the late Alexander E. Orr, former president of the New York Life Insurance Company.

Philadelphia

—The great crisis through which this and nearly every other country is now passing has brought startling reductions in the balance-sheets of banks almost everywhere. It is therefore peculiarly gratifying to turn to a report that can show a very marked gain in such times. This is the fortunate situation of the Philadelphia National Bank, whose balance-sheet of June 30 last showed a total of $63,933,131.67 and of $65,703.153.21 on September 12. In a period of considerably less than three months between the official calls there was a gain of $1,770,021.54—surely a remarkable record at such a time. Loans increased $1,690,000, showing that the bank has pursued the wise policy of extending help to business enterprise instead of curtailing loans and thus accentuating distress.

The Philadelphia National Bank has $1.500,000 capital, $4,795,637.32 surplus and profits, earned, and is strong in cash and readily available resources. Its policy is most ably directed by President Levi L. Rue, assisted by the following notable board of directors:

N. Parker Shortridge, chairman of board and director Pennsylvania Railroad Company; Richard Ashurst, director Camden and Burlington County Railroad Company; Lincoln Godfrey, of William Simpson, Sons & Company, director Pennsylvania Railroad Company, director Philadelphia Trust, Safe Deposit and Insurance Company; George Wood, president Millville Manufacturing Company, director Pennsylvania Railroad Company, and director Provident Life and Trust Company; Alfred C. Harrison, manager Western Saving Fund Society; Levi L. Rue, president, director Provident Life and Trust Company, director Philadelphia Trust, Safe Deposit and Insurance Company; George H. Frazier, Brown Bros. & Company, bankers, Philadelphia, New York and London, director Pennsylvania Company for Insurance on Lives and Granting Annuities; Percival Roberts, Jr., director Pennsylvania Railroad Company, director United States Steel Corporation; George H. McFadden, George H. McFadden & Bro., manager Girard Trust Co., manager Western Saving Fund Society; Edward T. Stotesbury, Drexel & Company, bankers; Effingham B. Morris, president Girard Trust Co., director Pennsylvania Railroad Company; Randal Morgan, vice-president United Gas Improvement Company; R. Dale Benson, president Pennsylvania Fire Insurance Company; Samuel Rea, president Pennsylvania Railroad Company; Alba B. Johnson, president Baldwin Locomotive Works, director Pennsylvania Company for Insurance on Lives and Granting Annuities; Pierre S. Du Pont, vice-president E. I. Du Pont de Nemours Powder Company;

Thomas S. Gates, president Philadelphia Trust, Safe Deposit and Insurance Company; Asa S. Wing, president Provident Life and Trust Company.

Pittsburgh

—Announcement was made on September 3 that the Diamond National Bank of Pittsburgh had taken over the United States National Bank of Pittsburgh. The Diamond National has a capital of $600,000 and surplus of $1,500,000, and the United States National was capitalized at $500,000, with a surplus of $155,000.

—Without in the least minimizing the calamity brought upon this country by the foreign war, the Peoples National Bank of Pittsburgh, in its monthly letter, sounds this hopeful note:

"Now that the first shock is over, the fact to bear in mind is that men and measures have always arisen to meet emergenies in the past, and that they are coming forward in the unexampled emergency thrust upon the world to-day. It has been observed by all students of history that a great crisis produces its own safeguard: that a door is open that was not known to exist before; that a bridge is found to span the unlooked-for chasm; that men think more quickly and seem endowed almost with prescience in the face of national extremity.

"A crisis gave birth to the Bank of France, which for the last half-century has been the governor of the Continental money market. Through a national crisis a heterogeneous mass of circulating media in the United States was converted into a uniform national bank currency, on which never a dollar was lost. An age and generation that has given the world the telephone, the wireless and the aeroplane is not deficient in genius to repair the delicate machine of international credits, and possibly invent a substitute that will make some of the

methods of the present appear clumsy by comparison.

"The Pittsburgh District is fortunate in several respects. Not the least of these is the fact that some of its chief industrial plants are efficient units in the Steel Corporation, whose present head is generally credited with being the most experienced and successful authority on foreign trade development in this country, and whose financial management ranks second to none in resourcefulness. But of more importance is the fact that nature has been especially bountiful to this district—if this were not so, the greatest industrial center in the world would not have been developed in Western Pennsylvania. These natural advantages have been supplemented by transportation facilities which carry a greater annual tonnage than any city in the world. As a rule, the chief industries of the district are well financed, and they are not over-expanded. While there are certain raw products of foreign origin that are largely utilized in the diversified manufactures of the district, the supply is only temporarily interrupted. If the interruption should threaten to be prolonged, there is little doubt that new sources will be found—in South America, perhaps, which has been brought nearer through the opening of the Panama Canal."

—When ten years ago the Diamond National Bank of Pittsburgh erected a fine twelve-story building at Liberty and Fifth avenues, the district resembled a freight yard. But that the bank had keen foresight is shown by the fact that to-day this is now in the heart of the business district. In this ten years the Diamond National Bank and the Diamond Savings Bank have gained more than $7,000,000 in deposits.

—The Mellon National Bank of Pittsburgh reported on September 12: Bank deposits, $18,932,770.23; individual deposits, $22,478,161.11; capital, $6,000,000; surplus, $2,200,000; undivided profits, $315,296.99.

—Emerson observed that "every great institution is the lengthened shadow of a man"; and while this is true in certain cases, at times it becomes more appropriate to use the quotation in the plural.

Forty-four years ago Jacob E. Derrenbacher entered the employ of the Rondout Savings Bank of Kingston, N. Y., as clerk, its deposits being at that time $284,071, and its depositors numbering but 872. On November 1, 1890, he was made secretary, the deposits then being eight thousand short of a million. On July 20 last he was made president to succeed the late Isaac M. North, the deposits of the bank having reached the creditable sum of $3,989,698.10, surplus $305.-163.44 on par values, and the bank's clientele numbering 7,146.

Twenty-four years ago, L. L. Osterhoudt entered the bank as assistant secretary, and now assumes the place made vacant by the election of Mr. Derrenbacher to the presidency.

In both these instances the bank has rewarded faithful and efficient service. It would be difficult to find two men more widely and favorably known in Ulster County than Messrs. Derrenbacher and Osterhoudt.

A continuous service of such length, in such an institution by men of this type results in a wide acquaintance, approaching universal in the territory from which an institution draws its patronage. And this is particularly true in this instance, for if a successful bank is the lengthened shadow of its men the simile is most appropriate,

J. E. DERRENBACHER
PRESIDENT RONDOUT SAVINGS BANK, KINGSTON, NEW YORK

L. L. OSTERHOUDT
SECRETARY RONDOUT SAVINGS BANK, KINGSTON, NEW YORK

for under their guidance the bank has grown to its present state—striking testimony of the character of the administration and the thrift of the people.

The chief charm of savings bank work lies in what has been appropriately called the "Department of Mercy," meaning the gratuitous services rendered by those behind the counter. This is especially true in the case of the Rondout Savings Bank, and it would be hard to conceive of a banking institution which more fully justifies its existence in this regard.

—For the past six months a new building has been under construction for the Bank of Steuben at Hornell, N. Y. It is now finished and in use. The exterior is of light colored brick with a massive granite front, while the interior is of marble, with brass and mahogany fittings. The main office room and workroom is along the west wall, while the private offices and ladies' rooms are in the front of the building on each side of the entrance. The vault is in the rear of the office and the directors' rooms are over the vault. The clearing room and safe-deposit box apartments are in the rear on the north side.

—Representatives of a number of strong banks met at Scranton, Pa., recently and organized the National Currency Association of Northeastern Pennsylvania, with C. S. Weston of the First National Bank, Scranton, as president.

—One hundred and sixty bankers, members of Group I of the New York State Bankers Association met recently at the Iroquois Hotel, Buffalo, and discussed matters of mutual interest. Bankers from Allegany county attended the meeting of Group I for the first

time. Formerly the bankers of that county were members of the Elmira group.

NEW ENGLAND

Boston

—Francis B. Sears, vice-chairman of the board of directors of the National Shawmut Bank, Boston, and one of the well-known bankers of the country, died in the latter part of August. Early in life he became identified with the Third National Bank of Boston, and was in the course of time chosen president. When this institution was merged with the National Shawmut Bank, he was made a vice-president of the latter, holding this office until January of last year when he became vice-chairman of the board. Mr. Sears was largely interested in cotton manufacturing and in other important enterprises, was prominently identified with philanthropic work, and was a recognized authority on matters relating to currency and banking.

—After fifteen years of service with the International Trust Company, Boston, A. Francis Freeman was recently elected assistant treasurer. Chester B. Pierce, with the institution for eight years, was similarly promoted.

—Plans have been drawn for a ten-story bank and office building for the Charter Oak National Bank, Hartford, Conn.

—On September 11 the National Currency Association of New Hampshire was formed at a meeting of bankers held in Manchester, banks with a combined capital and surplus of $5,370,000 being represented.

—Col. Robert M. Scammon, Bank Commissioner of New Hampshire, died September 7. He had been one of the three Bank Commissioners for ten years, and when the Board was abolished about a year ago, he was retained as the sole Commissioner. He had also served in both branches of the New Hampshire Legislature.

—Under the direction of Messrs. Hoggson Bros. of New York work is

proceeding on the First-Bridgeport National Bank building at Bridgeport, Ct. The "Farmer" of that city describes the new building as representing the largest expenditure of any structure put up in Bridgeport.

—Eight years ago the Woman's Club of Brattleboro, Vt., introduced the penny saving system into the public schools of that town. On May 1 last 274 accounts had been opened by children in savings banks, the total amount of deposits being $2,254.05.

SOUTHERN STATES

—J. E. McAshan, long cashier of the South Texas National Bank, Houston, and one of the well-known bankers of the South, has resigned and has been succeeded by his son, S. H.

Condensed Statement of Richmond Banks September 12, 1914

Compiled by W. P. Shelton, Assistant Cashier First National Bank

ASSETS

	Loans and Investments.	Cash and C. H. Exchange.	Total Due from Banks.	Miscellaneous.	Total Assets.
First National	$16,370,222 53	$1,733,000 77	$2,107,451 17	....	$20,210,683 47
Planters' National	7,505,870 08	687,652 43	1,414,737 51	....	9,608,260 03
Central National	1,072,491 93	137,162 54	91,437 73	....	1,301,092 22
National State and City	6,880,716 73	618,883 21	1,324,737 49	....	8,832,837 46
Merchants' National	6,717,517 00	1,152,837 26	1,356,366 05	....	9,226,740 31
Manchester National	554,114 63	32,468 00	37,613 69	....	624,196 32
American National	8,427,749 67	605,290 30	720,315 04	....	9,753,354 21
Broadway National	598,071 03	30,426 00	51,547 57	....	680,041 66
Broad Street	1,638,362 43	96,704 55	96,366 30	....	1,831,433 28
Bank of Commerce and Trusts	1,442,282 15	45,204 35	97,091 89	....	1,584,578 39
Union	1,998,768 11	6,241 72	22,904 25	....	2,027,064 08
Richmond Trust and Savings	1,422,075 70	11,813 26	129,967 52	$ 5,947 21	1,569,703 69
Mechanics' and Merchants'	875,389 56	41,947 53	38,916 38	....	956,253 77
Church Hill	552,916 10	12,305 78	24,479 98	....	589,701 86
Savings	1,683,836 14	14,921 76	45,923 11	....	1,744,681 01
West End	192,549 02	5,877 59	7,896 89	....	206,323 50
Virginia Trust	2,588,307 08	12,827 37	133,135 79	394,300 00	3,128,770 24
Richmond Bank and Trust	984,380 81	23,563 00	51,969 00	....	1,059,842 80
Old Dominion Trust Company	2,686,848 17	26,309 84	340,343 61	125,000 00	3,178,501 62
Total	$64,202,038 77	$5,304,046 55	$8,092,140 99	$525,447 21	$78,124,573 52

LIABILITIES

	Capital.	Surplus, Profits, Etc.	Circulation.	Total Deposits.	Bond Account.	Bills Payable, Rediscounts.	Total Liabilities.
First National	$2,000,000 00	$1,284,047 65	$2,288,200 00	$13,587,135 82	$1,050,400 00	....	$20,210,683 47
Planters' National	300,000 00	1,578,664 24	670,000 00	6,985,616 30	74,000 00	....	9,608,280 03
Central National	332,000 00	65,056 32	49,500 00	738,535 90	....	$ 100,000 00	1,301,092 22
Nat. State and City	1,000,000 00	839,893 60	348,000 00	6,004,943 86	390,000 00	250,000 00	8,832,837 46
Merchants' National	200,000 00	1,347,374 77	333,000 00	7,146,365 54	....	....	9,226,740 31
Manchester National	150,000 00	18,675 78	100,000 00	303,020 54	8,500 00	42,000 00	624,196 32
American National	1,000,000 00	764,054 98	1,465,200 00	5,110,063 02	673,175 00	739,961 23	9,753,354 21
Broadway National	200,000 00	27,287 78	98,500 00	252,176 88	....	102,000 00	680,041 66
Broad Street	200,000 00	142,521 20	....	1,487,912 08	....	....	1,831,433 28
Bank of Commerce and Trusts	250,000 00	166,580 00	....	1,117,998 39	....	50,000 00	1,584,578 39
Union	219,750 00	549,302 02	....	1,208,042 06	....	50,000 00	2,027,064 08
Richmond Trust and Savings	1,000,000 00	80,025 80	....	339,677 89	....	150,000 00	1,569,703 69
Mechanics' and Merchants'	100,000 00	129,738 05	....	726,515 72	....		956,253 77
Church Hill	150,000 00	32,628 31	....	407,073 55	....	....	589,701 86
Savings	200,000 00	276,917 78	....	1,267,763 23	....	....	1,744,681 01
West End	25,000 00	20,337 25	....	160,986 25	....	....	206,323 50
*Virginia Trust	1,000,000 00	289,316 77	....	1,347,453 47	6,000 00	91,500 00	3,128,770 24
Richmond Bank and Trust	477,400 00	65,073 52	....	517,369 28	....	....	1,059,842 80
Old Dominion Trust Company	1,000,000 00	1,141,463 03	....	1,037,038 62	....	....	3,178,501 62
Total	$9,832,150 00	$8,819,308 80	$5,533,400 00	$49,738,588 40	$2,202,075 00	$1,575,461 23	$78,124,573 52

*Miscellaneous—Virginia Trust, $394,300.

McAshan, heretofore active vice-president of the Citizens National Bank of Waco.

After serving with the T. W. House Bank from September 1, 1872, Mr. J. E. McAshan organized the South Texas National Bank, June 1, 1890, becoming cashier. In 1908 he was made active vice-president. When the Commercial National was merged with the South Texas National, he continued as cashier and active vice-president.

Mr. McAshan's resignation was due to impaired health. He continues as a director of the bank and may resume active duties when his strength returns.

The date of his retirement marked the completion of forty-two years of banking service.

—By declaring a stock dividend of 100 per cent. out of surplus and profits, the Houston (Texas) National Exchange Bank has increased its capital from $200,000 to $400,000.

—One effect of the war crisis has been to bring bankers, commercial men and farmers closer together. An evidence of this was afforded at Waco, Texas, recently by a joint meeting representing the bankers, farmers and two local commercial organizations, the object of the conference being to provide means for handling the cotton crop.

—E. Kirby Smith, heretofore vice-president of the Commercial National Bank, Shreveport, La., was recently elected president, succeeding the late Captain Peter Youree. Mr. Smith lived at Texarkana, Ark., for some years and was for one term president of the Arkansas Bankers Association, and was for three years a member of the executive council of the

E. KIRBY SMITH
PRESIDENT COMMERCIAL NATIONAL BANK, SHREVEPORT, LA.

American Bankers Association. He was the first president of the Shreveport Chamber of Commerce and has always taken an active share in the development of his community.

—J. W. Bolton, president of the Rapides Bank. Alexandria, La., has been appointed a member of the Louisiana State Banking Commission created at the last session of the Legislature. It is the duty of this commission to examine the banking conditions and banking laws of Louisiana and report recommendations for their betterment.

—Texas may establish a State bank of very large capital to assist in handling cotton and other crops.

—Nashville, Tenn., now has one of the Morris Banks—institutions designed to make loans to reputable borrowers of small means and to counteract the activities of "loan sharks."

—The First National Bank of Fort Myers, Florida, now occupies its new building which is a one-story structure for the bank's exclusive use.

—Stockholders have consummated the merger of the Deposit Bank and the Farmers Bank, and the new Farmers Deposit Bank, at Frankfort, Ky., with a capital of $175,000 and a surplus of $85,000, has opened its doors. The Farmers Bank, after passing $20,000 of its surplus into the surplus of the new bank, will distribute about $131,000 in dividends. John C. Noel will be president of the new bank and Buford Hendrick vice-president. The stockholders will receive an equal amount in the shares of the new bank for the shares which they surrender.

—Group Five of the Virginia Bankers Association held its yearly meeting at Bristol, Va.-Tenn., September 12, with T. E. King, cashier of the Marion (Va.) National Bank, presid-

ing and C. W. Beerbower, auditor of the National Exchange Bank, Roanoke, as secretary. Among the topics discussed were: "The Need of Better Facilities for Financing Agriculture," by R. W. Dickenson, president St. Paul (Va.) National Bank; "How Coöperation Between the Banks, the Farmer and the Business Man Will Develop our Southern Section," by Chas. J. St. John.

WESTERN STATES

Chicago

—John Fletcher, heretofore president of the Drovers National Bank, is now vice-president of the Fort Dearborn National Bank, and will have charge of the credit department—an extremely important position to attain at the age of thirty-four years. Mr. Fletcher began his banking work in the Cedar Rapids (Iowa) National Bank, of which he became assistant cashier. He came to the Drovers Deposit National (now the Drovers National) Bank, Chicago, in 1907, and was elected assistant cashier. Later he was made vice-president, and last year was chosen president. His election to the vice-presidency of the Fort Dearborn National Bank is a promotion well deserved by ability and experience, and one of which his many friends in all parts of the country will learn with genuine satisfaction.

JOHN FLETCHER
VICE-PRESIDENT FORT DEARBORN NATIONAL BANK

—On October 5 the Continental and Commercial National Bank and the Continental and Commercial Trust and Savings Bank removed to their new offices in the Continental and Commercial Bank Building, 208 South La Salle street. An illustration of this

splendid structure has already appeared in these columns.

—The first annual meeting of the Farm Mortgage Bankers Association was held at the Hotel La Salle, October 7 and 8.

—Solomon A. Smith was recently elected president of the Northern Trust Company, succeeding his father,

Solomon Albert Smith
PRESIDENT NORTHERN TRUST COMPANY, CHICAGO, ILL.

the late Byron L. Smith. The new president began his banking experience as a messenger in the Northern Trust Company, January 2, 1900, and worked through the various positions until he became assistant cashier and later vice-president.

—This city entertained the twenty-fourth annual gathering of the Illinois Bankers Association, beginning September 1, and continuing several days, the convention ending with an extended trip on a lake steamer. There were many notable addresses made, the speakers including Arthur Reynolds, president of the Des Moines National Bank and president of the American Bankers Association; John J. Arnold, vice-president of the First National Bank, Chicago; Hon. Robert L. Owen, chairman of the Senate Committee on Banking and Currency; Harrison B. Riley, president Chicago Title and Trust Company, and Harry A. Wheeler, vice-president Union Trust Company, Chicago.

J. S. Aisthorpe was elected president of the association, George Woodruff vice-president, and Walter S. Rearick chairman of the executive council.

—The vacancy in the presidency of the Drovers National Bank caused by the election of John Fletcher as vice-president of the Fort Dearborn National Bank, has been filled by the elec-

tion of O. T. Reeves, who was with the First National Bank, Bloomington, Ill., for twelve years, and later a national bank examiner.

Owen T. Reeves, Jr.
PRESIDENT DROVERS NATIONAL BANK, CHICAGO

—Bankers of this city are much interested in the problem of providing better banking facilities for our trade with the countries of Latin America. The question of opening branches of existing national banks to do business in some of the South American countries has already received consideration, but no definite action has been taken as yet.

George M. Reynolds, president of the Continental and Commercial National Bank, has made the suggestion that collective action, either through the Chicago Clearing-House Association or the Federal Reserve Board, would be advisable in extending our banking operations to the southern republics.

—Robert A. Schoenfeld has leased to the Sixty-third and Halsted State Savings Bank, a newly formed institution, the two-story and basement brick and stone building at 808-12 West Sixty-third street, for a period of twenty years from July 10, 1914, at an aggregate rental of $154,000, or at the rate of approximately $7,700 per annum.

—Combined deposits of the First National Bank and the First Trust and Savings Bank, September 12, were $176,622,654.02.

—Dealing with fundamental conditions, the annual summary of crops and general business conditions compiled and issued by the Continental

and Commercial National Bank serves a most useful purpose. Its reports are based on first-hand investigations, and are therefore acurate. An important part of this year's report relates to the record crop of wheat, approximating 920,000,000 bushels, and leaving a large surplus for export.

—Members of Group III. of the Ohio Bankers Association met at Napoleon, September 9, and discussed international credit, mercantile marine, regional banks and other subjects. President W. Lockwood Lamb of Toledo and Secretary and Treasurer F. S. Stever of Defiance were both reëlected.

—Group IX. of the Ohio Bankers Association, comprising one of the most important banking districts of the State, had a meeting at Elyria, September 25.

The principal speaker was L. B. Franklyn, vice-president of the Guaranty Trust Company of New York, who spoke on "The Present War and Its Effect on Interest Rates and American Railroad Securities." C. B. Firestone, vice-president of the Firestone Bank, Lisbon, O., spoke on the topic: "The Law and the Prophets."

The officers of Group IX. are: Chairman, E. R. Fancher, vice-president of the Union National Bank of Cleveland; secretary, W. M. Baldwin, treasurer of the Citizens Savings and Trust Company of Cleveland.

—At Kansas City, Mo., the Pioneer Trust Company has just gone through an entire remodeling of its quarters. The banking rooms have been rebuilt so as to greatly increase the floor space and add to the conveniences. The accounting force has been given new quarters on the balcony floor. A new women's banking room has been added; this is finished in mahogany wainscoting and furniture. Practically the same idea in decorations has been carried out in the directors' room, which is also finished in mahogany. The company now has a complete safe-deposit vault system. The vaults are substantially constructed with heavy armor-plate doors, while on the inside there are hundreds of deposit boxes for the use of those who want to store valuables and important papers.

—Concluding the eleventh annual convention at Butte on August 22, the Montana Bankers Asociation elected C. C. Swinborne, cashier of the Daly Bank and Trust Company (Butte), president; Frank Bogart, vice-president of the Union Bank and Trust Company (Helena), vice-president, and H. V. Alward, cashier First National Bank, Kalispell, secretary-treasurer.

The annual report of Secretary Skinner showed that in the past year the membership had increased from 236 to 253.

—Though designed as an individual bank building, the new home of the First National Bank of Ottumwa, Iowa, has space in the basement for a public assembly room and private offices, as well as the rear portion of the first floor and the rear mezzanine floor, which are subdivided into offices for rental.

The main banking room will be twenty-five feet in height with large windows on the street side and highly ornamented with caen stone wainscot on lower portion and plastic relief pilasters and beams on the other portion.

The fixtures will be built entirely of marble, bronze and mahogany and designed to accommodate the several

PRESENT OLD BUILDING

FIRST NATIONAL BANK, OTTUMWA, IA.

departments of the bank. The marble used will be entirely of imported material.

The vault system will include separate and individual safety deposit vaults for the customers and a cash and book vault for the bank, all entirely surrounded by heavy steel lining and heavily reinforced concrete vaults with access into the vaults through solid chrome steel doors of modern design and construction, including double combination locks and time locks.

The front portion of the banking room is provided with a mezzanine floor upon which is located the directors' room with an outlook over the banking room.

All the equipment throughout will be provided, down to the blotters and ink-wells. with everything designed and finished in one harmonious whole.

The building will be of strictly fireproof construction, and the mechanical equipment as near perfection as can be attained.

E. Jackson Casse Company, bank engineers of Chicago, are in charge of the work.

—Indiana bankers held their eighteenth annual convention at Indianapolis September 29 and 30. Ex-Vice-President Fairbanks and Mayor Bell were among the notable speakers. Matters concerning the farming interests occupied an important share of the convention's time.

—The Bank of Commerce, Superior, Wis., has completed and now occupies a splendid building equipped with the latest devices for comfort and safety.

—Contracts have been let for the remodeling of the quarters of the Montana Trust and Savings Bank, Helena. It is expected that the work will be finished late this fall.

—On August 1, 1864, the First National Bank was organized as the successor of the Joliet (Ill.) Bank, estab-

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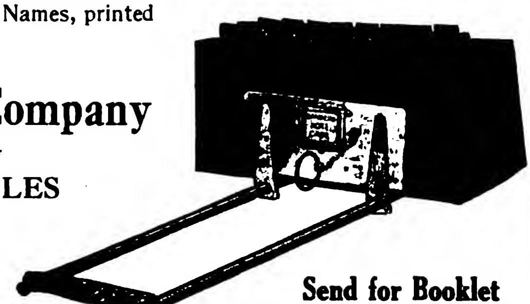

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lished by George Woodruff and others in 1857. Mr. Woodruff and his son, Frederick W. Woodruff, were respectively president and cashier, and the sound traditions adhered to in those early days have been preserved by the present president, George Woodruff, 2d. The growth has been steady, until now the deposits are about four and one-half millions. Closely related to the First National Bank are the Woodruff Trust Company and the Woodruff Safe Deposit Company.

PACIFIC STATES

—In its Financial Letter of a recent date the American National Bank of San Francisco makes the following sound observations regarding the European conflict:

"In the end all trade, all commerce and all manufactures, the world over, will suffer from the tremendous waste of capital and human energy now being turned into channels of destruction. The greater the conflict the greater the cost, and part of that cost will be borne by every citizen of America. Already it is manifest in the enhanced price of commodities and it will be felt, directly or indirectly, for many years to come.

"It is a time that calls preëminently for the exercise of patience, forbearance and common sense on the part of the American people to the end that trade and industry may suffer as little disturbance as possible and that this country may bear a helpful part in one of the direst periods of the world's history."

—Washington bankers have organized the National Currency Association of the State of Washington, with these officers: President, M. F. Backus, president National Bank of Commerce, Seattle; vice-president, E. T. Coman, president Exchange National Bank, Spokane; secretary, M. A. Arnold, president First National Bank, Seattle; treasurer, W. D. Vincent, vice-president Old National Bank, Spokane. These officers with the following com-

pose the board of directors: E. W. Andrews, president Seattle National Bank; N. H. Latimer, president Dexter Horton National Bank, Seattle; E. W. Purdy, president First National Bank, Bellingham.

—Since August 17 the State Bank of Seattle, Washington, has been installed in its new home.

—San Francisco banks decided that there was no need of clearing-house certificates to tide over the crisis and continued to make the settlements between banks in gold as heretofore.

—From the "Savings Union Service," published by the Savings Union Bank and Trust Company, is obtained the following statement of how San Francisco has repaired the damage wrought by the great fire of 1906:

The "San Francisco Real Estate Circular," issued by Thomas Magee & Sons, publishes some striking facts concerning the financing of the rebuilding of the city. The figures that follow are all calculated as of January 1, 1914.

Up to that date there had been expended in building operations since the fire the sum of $301,500,000. This does not include the cost of government, State or municipal construction, nor the large building disbursements made by the Panama-Pacific International Exposition.

This amount was provided as follows:

From proceeds of fire insurance on buildings destroyed in April, 1906	$125,000,000
Borrowed on mortgages from Eastern life insurance companies	11,264,000
Borrowed on mortgages from financial institutions in California outside of the city	6,116,644
Balance raised entirely in San Francisco	159,119,356
Total	$301,500,000

Inasmuch as the fire insurance collections were but a return for premiums paid by San Francisco during many years, it will be seen from the above figures that little more than $17,000,000 of the total came from outside of the city.

The total mortgage indebtedness existing on San Francisco property as of January 1, 1914, amounted to $151,000,451. This is an increase of $65,000,000 over the total in force in January 1, 1906, just before the fire.

This mortgage indebtedness is held as follows:

San Francisco savings banks	$107,804,295
Other local financial institutions	4,254,653
Private individuals (this figure is necessarily approximate)	21,560,859
California financial institutions outside of San Francisco	6,116,644
Eastern financial institutions	11,264,000
Total	$151,000,451

In other words, of the $301,500,000 expended in building operations, San Francisco has supplied practically $285,000,000, a record of which her citizens may well be proud.

—Consequent upon a change in stock ownership of the American Savings Bank and Trust Company, Seattle, these officers have been chosen: President, James A. Murray of Butte, Mont.; James P. Gleason, vice-president and manager; J. K. Bush, vice-president; Geo. F. Russell, secretary, and J. Malloy, Jr., cashier.

CANADIAN NOTES

—A branch of the Bank of Toronto has been opened at Freelton, Ontario, under the management of J. B. Connell, formerly accountant at the Hamilton branch.

—These changes are announced in the offices of the Bank of Montreal:

W. M. Bancroft, manager at St. John, N. B., has been promoted to be manager at Quebec, W. J. Ambrose, manager at Spokane, Washington, succeeding Mr. Bancroft.

A. E. Nash, manager at Quebec, goes to Halifax to succeed Manager W. B. Gravely, who retires.

WM. A. LAW

FIRST VICE-PRESIDENT FIRST NATIONAL BANK, PHILADELPHIA, AND THE NEWLY-ELECTED PRESIDENT OF THE AMERICAN BANKERS ASSOCIATION

THE
BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

SIXTY-EIGHTH YEAR | NOVEMBER 1914 | VOLUME LXXXIX. NO. 5

Secretary McAdoo and the Banks

ON September 25 the Secretary of the Treasury issued a statement calling attention to the hoarding of money by certain banks and also claiming that in several of the reserve and central reserve cities loans were being made at the rate of seven per cent. and upwards. The Secretary made public a list of 247 national banks, many of them in small cities and towns, having a reserve of twenty-five per cent. and over. It was pointed out that these reserves were excessive, and that if the funds thus locked up were employed in buying commercial paper or loaned on proper security, the financial situation would be much relieved.

In a statement made public by the Secretary on October 6 he modified his earlier views somewhat. This latter statement, as given in the newspapers, was as follows:

"The reports thus far received from the national banks in the central reserve cities of New York, Chicago and St. Louis show that banks in each of these cities have, in exceptional cases, charged their bank correspondents interest as high as eight per cent. per annum.

"In New York nearly all loans to bank correspondents were made at the uniform rate of six per cent. In Chicago the prevailing rate charged to bank correspondents was seven per cent., although on many loans a lower rate was charged. In St. Louis, while the maximum rate to bank correspondents was eight per cent., the prevailing rates were six and seven per cent. In a few cases loans were being made at lower rates.

"In Boston seven and three-tenths per cent. was charged in a few cases, although the prevailing rate was six per cent. In Philadelphia the national banks as far as heard from report no loans to bank correspondents in excess of six per cent.

"I have determined not to issue for the present any further lists of banks which are carrying excessive reserves and thereby hoarding money and restricting credits, because there is gratifying

evidence that the unwisdom and short-sightedness of this policy is being recognized and that a more sensible and liberal disposition is being manifested. I have a long list of banks which are holding excessive reserves and I shall not hesitate to publish it if it becomes necessary or desirable in the public interest.

"Banks that are hoarding money and restricting credits are a menace to business. It is only fair to those banks which are granting legitimate credits that the banks which are not should be exposed to public view.

"New York banks have met and are meeting the situation in a fine and commendable spirit, but their service is neutralized in a considerable measure by those banks which refuse to do their part.

"There is evidence in some quarters that individuals and corporations are hoarding money. It is just as reprehensible for them to do so as it is for the banks. There is no reason why people should not deposit money in the banks in the usual way and with absolute confidence, and there is no reason why business should not be conducted in a normal way. There are, of course, some portions of the country where peculiar and difficult conditions prevail —for instance, in the cotton States—but even there the conditions can be greatly improved if the banks will employ their resources in a reasonable and helpful way.

"Banks that are charging exorbitant rates of interest are simply taking advantage of the necessities of others. In a number of places which have been brought to my notice the interest rate has been put up arbitrarily by the concerted action of the banks. There is no justification for high interest rates. There is no real reason for tight money in this country. There is an ample supply of money and credit if the resources of the banks are properly used.

"Since my first statement about the banks hoarding money I have received letters from business men in all parts of the country showing that commercial credits have been restricted to a very great degree. Some large manufacturing concerns whose credit is high have told me of the difficulty they are having in selling their commercial paper in the accustomed way. I believe that business will be beneficially stimulated and prosperity greatly promoted if the banks throughout the country will proceed to use some of their available resources in the purchase of good commercial paper. I am glad to say that there is evidence of a very considerable revival in the commercial paper market within the last few days. The general business situation throughout the country is undoubtedly improving."

Before passing to the main question dealt with in the Secretary's statement, one thing he says may be examined briefly, namely:

"There is no justification for high interest rates. There is no real reason for tight money in this country."

The issue of clearing-house certificates and emergency currency running into the hundreds of millions in sixty days indicates a pretty heavy demand, real or expected, for funds, and in the face of such demand some advance in the interest rate would seem both normal and salutary.

BANK HOARDING BAD FOR BUSINESS

EVERYTHING the Secretary of the Treasury says with respect to the ill-effects of bank hoarding at this time is true. It is precisely the thing calculated to aggravate the situation and to bring about the very conditions which the Secretary of the Treasury and the leading banks themselves are trying with might and main to avoid.

High bank reserves are not, of course, an infallible evidence of the hoarding of money by the banks. Dull business may spell high bank reserves, and no one can doubt that business has fallen off tremendously of late. But on the other hand it must be conceded that many of the banks, particularly in the smaller places, are holding extremely large reserves of cash, and thus taking a course that greatly aggravates the prevailing distress. The Secretary is absolutely correct in saying that if the hoarded funds were released it would go far toward relieving existing conditions. If there ever was a time when banks should not hoard money, that time is now, and the Secretary of the Treasury is fully justified in taking all reasonable measures in discouraging such a policy. Whether the list of the hoarding banks should have been made public or not is another matter. But at all events some good resulted from such publication, for it showed that the blame did not rest chiefly upon New York as has been charged so often even in official quarters. As the Secretary justly says:

"New York banks have met and are meeting the situation in a fine and commendable spirit, but their service is neutralized in a considerable measure by those banks which refuse to do their part."

Now, it becomes pertinent to inquire why some banks "refuse to do their part"—in other words, why they keep such large reserves, or hoard money.

WHY SOME BANKS HOARD MONEY

DO banks hoard money for their own selfish ends, that they may make interest rates higher, or just out of mere perversity? When everyone needs money so badly, and when it would assist

immensely in smoothing out the present tangled skein of business. and be so extremely helpful all around, why do the banks, instead of lending out money freely, hold on to it with exceptional tenacity? Is this the course most profitable to them, and does that explain their action?

If an affirmative answer could be given to the first question it might account for the policy of which the Secretary complains. But this cannot be done. There is such keen competition among the banks that if one institution adopted such a selfish course, some competitor would be sure to take advantage of the chance of getting a new account. As to their perversity, the banks average up fairly with other business concerns. Their success depends upon the prosperity of the community, and they must take a course calculated to promote that prosperity. The banks like to be obliging to their patrons so far as warranted by safe banking principles.

In reply to the last query it may be said that bankers do not find their highest profits in large reserves—especially in times like these. For any surplus of reserve indicates that, even though interest rates are attractive, the banks are not lending to their full capacity and are therefore losing or at least foregoing a considerable amount of earnings.

It must be clear that banks make profit by lending as much as they can with safety.

If the preceding statements are true, they establish the fact that the explanation of high bank reserves must be sought elsewhere.

What, then, is the real reason why a great many banks pile up heavy reserves, to the detriment of the communities where they do business, to the aggravation of the general financial situation, and finally at a sacrifice of their own profits?

If banks were utterly selfish—and they are not—the desire to make all the money possible would impel them to lend as much as they could with safety.

The real reason for high bank reserves where they exist at this time are:

(1) Legal requirements, and severe penalties for infringement of the provisions relating to reserves.

(2) Lack of any sure means of procuring cash to meet large and sudden demands from depositors—demands to which banks are especially liable in times like the present.

THE REMEDY

SO far as relates to the national banks, the first reason stated above has been removed by the Federal Reserve Act, for it authorizes the Federal Reserve Board to make temporary suspen-

sions of the reserve requirements. It has been repeated so often that many people believe it is true that the United States is the only country in the world where the law of fixed reserves prevails. This belief is incorrect, for similar provisions will be found in the banking laws of some other countries, though the restricton is not common. In most countries the legislatures have left the amount of reserves discretionary with the banks. But as a rule other countries have a few large banks, and the problem here is a different one. Bankers in the United States generally regard the law of fixed reserves as a necessary one under the circumstances, though all realize that there are times when the rigidity of the rule ought to be relaxed. As has been said, provision for this exists in the Federal Reserve Act.

The second explanation of high reserves given above—fear of exceptional calls from depositors without any sure means of obtaining assistance in procuring funds—that is the chief reason for the bank hoarding which the Secretary of the Treasury deplores.

With memories of the experiences of 1893 and 1907 still in mind, can the bankers be censured for taking thought for their own protection? And the first thing they do is to get hold of as much cash as possible, for cash is what their depositors may at any moment call for in large volume. It may be said with truth that the bank that takes this course is aggravating the situation and bringing on the very conditions it fears. But can a bank be blamed for looking first to its own safety and leaving the altruistic course for academic consideration? The brotherhood of banking, however desirable, like the brotherhood of man, falls yet a trifle short of complete realization.

The exceptional demands for cash which may arise in times of crisis do not fall upon suspected banks alone. In the 1893 panic there were many good and really solvent banks that were forced to close temporarily, not because their assets were bad but simply for want of currency.

This lack has been to a considerable extent supplied by the Act of May 31, 1908, which permits the issue of emergency currency. But to obtain this currency, a bank must have the required class of security, and if notes are procured they must be paid for at the rate of three per cent. or more per annum.

The only other way that a bank can replenish its depleted stock of cash is by borrowing—a resource not to be relied on in times like these; and if loans are obtained promptly enough, they, too, must be paid for in the shape of interest.

Nor is the situation materially changed by the Federal Reserve Act, so far as an individual bank is concerned, for it must still rediscount—that is, borrow, if it can—and pay the price. It

is, however, possible and indeed probable, that the general situation will be greatly relieved by the new system.

If all solvent banks could issue notes based on their own credit, against a reserve substantially the same as that required for deposits, and not subject to any tax except a trifling amount necessary to assure the safety of the notes, they then would not have to pile up such large reserves, and they would not do so. Instead of locking up cash, as now, they would keep on hand unissued notes—no more valuable while in their tills than a blank check or draft—but when paid out in exchange for something of value, and becoming a demand obligation of the issuing bank, they would for all ordinary purposes of hand-to-hand circulation answer just as well as gold or other forms of legal tender.

COUNTRY BANKS NOT TO BLAME

THE blame for hoarding money does not rest upon the banks, much less on those of the smaller cities and towns. The latter class of banks no doubt fear that they lack the particular kind of collateral which the Federal Government required as a basis for emergency currency; they cannot be sure of borrowing just when money is most urgently needed, and even if they could they may not like to pay the interest demanded. They therefore take the shortest and surest way of putting their houses in order against the time of stress and storm, which is by having as large a percentage of cash on hand as possible—the most dependable reliance in sight.

The banks lay hold of this money because they must do so for their own protection, and because they are bound and shackled by Federal laws, so that they may not make a reasonable use of their undisputed credit by a conversion of a portion of their assets into circulating form. These restrictions are not lessened but made more stringent by the Federal Reserve Act, which completely usurps the note-issuing functions and thus deprives the banks of a valued means of support and one whose employment would render unnecessary the hoarding of cash.

While the Congress and Administration hold to the belief that the Government can control and regulate the volume of currency and credit better than the banks, the responsibility for the defects developed through such a policy should not be imputed to the banks, but placed upon the shoulders of those who enact and administer the banking laws.

CHANGES IN NATIONAL BANK CIRCULATION

WHILE for some time prior to the beginning of the European war the circulation of the national banks of the United States had been practically stationary, the crisis occasioned by this conflict has brought forth bank notes in large volume. Compared with October 1, 1913, the total circulation has risen from $759,030,694 to $1,077,884,776. This increase has been wholly in notes "secured by miscellaneous securities," for there has been a decrease of circulation secured by United States bonds and lawful money. The national bank currency secured by miscellaneous securities amounted on October 1 last to $325,007,900, compared with $126,241,760 on September 1. This represents what has been generally called "emergency currency"—not a very happy designation.

That this great and sudden increase in the volume of circulation, under the absolutely unprecedented circumstances, has been of temporary benefit is clear enough. It is hardly too much to say that it has operated to prevent banking distrust, and has illustrated the efficiency of the bank note as a defensive weapon in the hands of a solvent bank. From this experience the efficacy of this instrument as a servant of commerce may also be learned.

It is yet too early to tell what will be the permanent effect of the issue of so much emergency circulation; but that question may well remain in abeyance now. Anyhow, when the Federal Reserve Banks get under way they will begin the issue of more notes and probably will also constitute the machinery through which the national bank notes will be redeemed. It would seem a fair assumption that these changed conditions will gradually tend toward a substitution of Federal Reserve Bank notes for those now outstanding; and if this shall result, the change will undoubtedly be a salutary one. If the new system works out satisfactorily, it will perhaps obviate the necessity of further extending the limitations of the Act of May 31, 1908.

BANKERS' COTTON SYNDICATE

AMERICAN bankers are displaying great resourcefulness in the grave emergency brought about by the disturbance of financial and business conditions on account of the European war. One of the latest and most important steps taken looking

toward a restoration of a more normal state of affairs is the announcement of a bankers' syndicate of $150,000,000 for the purpose of making loans on cotton in order to carry over that staple until it can be gradually marketed at a less ruinous price than any which could now be had.

The suggestion for the organization of this syndicate and the plan of its scope and operation came from Festus J. Wade, president of the Mercantile Trust Company of St. Louis.

In brief the plan is simply this: That the bankers of certain cities contribute $150,000,000 to a pool or syndicate for the purpose of making advances on cotton on a valuation of six cents per pound, the loans to be made at the probable rate of six per cent.

As already pointed out in this MAGAZINE, the cotton situation is peculiar, owing to the decrease in the foreign demand for raw cotton—the form in which most of the staple is sold. With a crop of 15,000,000 bales, valued at, say, $50 per bale, this represents $750,000,000. Against this crop loans to a considerable extent have already been made by Southern and other banks, and it would, of course, be a part of the syndicate's work to take over these loans where necessary and thus relieve some of the banking strain due to the fall in the price of cotton and to the curtailment of exports.

Many impracticable and dangerous schemes have been suggested for the relief of the cotton growers, and it is to be hoped none of them may find favor.

But the proposal which Mr. Wade offers is entirely practicable, and furnishes a safe and ready means of solving this perplexing problem. And the bankers of the country are agreed that the cotton situation and the foreign exchange situation are the greatest present hindrances to the resumption of business on a fairly normal scale.

The coöperation of the bankers in clearing up these matters shows what they can do when they act together.

PROPOSED STATE BANK FOR TEXAS

REPORTS have been current in the newspapers recently of the proposed establishment of a large central banking institution in the State of Texas with a capitalization of perhaps $20,000,000 or possibly $70,000,000, the "capital" to be based on Texas school bonds, the object of the bank being to furnish aid to farmers of the State.

The State of Texas has an admirable banking law—one of the best in the United States. Its excellence is partly explained by the fact that for many years the constitution of the State of Texas

prohibited State banks altogether, and while other commonwealths were experimenting with miscellaneous banking systems, Texas merely observed their experiences and in due course took the best from some of the proved State systems and enacted a banking law that in general fulfils the highest requirements of sound banking legislation.

With such a good law, providing for the exercise of banking functions of all sorts, it is difficult to see why any new kind of bank is needed.

The aim of the proposed bank—to furnish aid to the farmers of the State—is praiseworthy enough, though it is suspected that the average Texas farmer is about as prosperous as anybody these days and about the last individual in the community who needs the aid of special legislation.

The proposed bank must revive interesting recollections among those familiar with the old State bank-note days. It will not be forgotten that the vices of that system were the lack of real capital by many of the banks and the attempt to create capital by issuing bank notes against State stocks which really constituted all the capital some of these banks had. The attempt was disastrous in nearly every case, and for two reasons: First, the principle itself is wrong, and in those early days the credit of a number of the States was bad and their bonds became of little value. The credit of all the States has greatly improved since those times, and of course the credit of the State of Texas is excellent. But the principle of endeavoring to create banking capital in this manner remains as vicious and unsound as it was in the old days of State bank notes.

A bank as a creator of credit, either in the form of notes or loans, ought to have real capital actually paid up in money, and the failure to observe this simple and sound essential of discount banking was the cause of most of the break-downs in the old State bank systems before the national banking system was invented.

When the present Federal Reserve Act was introduced in the House, it proposed to repeat this vicious and exploded experiment; but when it was vigorously pointed out in the pages of this MAGAZINE (October, 1913, p. 374) that the new Federal Reserve Banks were to be organized practically without capital, the bill was amended and the payment of capital required in gold.

The mere putting up of a large amount of bonds as the capital of the proposed Texas State Bank, and obtaining currency on these bonds, looks like an easy way of getting money. But what has really happened if this process be employed? Notes could be had on the pledge of these bonds under the Aldrich-Vreeland Law, but only by paying from three to six per cent. interest for them. They might be obtained indirectly from a Federal Reserve Bank by pledging the bonds as security for a loan from some member

bank. In either case the Texas State Bank would only be getting a loan of currency on its bonds. This currency could, of course, be converted into gold and the latter would constitute a basis for commercial banking, but the bank would not have any actual cash capital—only some borrowed money, which is not a good basis of banking.

The national banking system was based upon the public debt, and the bonds held by the banks were available as security for note issues; but there is this difference in the Texas proposal, as outlined in the newspapers, and the national banking system, the first contemplating no cash capital, while the latter required the actual payment of capital in all cases. The difference is a vital one, constituting the dividing line between sound banking and the other kind.

BANKING WITHOUT MONEY

ONE of the latest proposals for amending the Federal Reserve Act is by providing that members of the Federal Reserve system may deposit all their money reserves with the Federal Reserve Banks in their respective districts.

If this amendment is passed, and availed of to its full extent by the member banks, it will mean that the latter will be doing business without a dollar of money in hand. Furthermore, that the money they hold as a foundation and protection of their credit structure will be taken away and given to the Federal Reserve Banks, which will begin building up a fresh credit structure thereon—using a foundation which many banking authorities regard as already heavily overtaxed. At any rate, it is no more possible to take away the foundation of a bank's fabric of credit without weakening the bank than to remove the foundations of a house without causing a collapse of the building.

It may be said that the Federal Reserve Board can be relied on to prevent such a catastrophe, but why place in the Board's hands such a dangerous power and one whose wise exercise may well prove impossible?

The examples of German and English banks may be cited as precedents for this amendment, but substantially all the leading bankers and bank authorities in London have repeatedly urged in recent years that the English banks ought to accumulate and keep a larger share of their own cash reserves, and such a policy was sought to be enforced on the German banks by the Imperial Bank of Germany some time prior to the outbreak of the war.

In these times it is the duty of all to unite in support of every wise measure proposed by the Administration for bettering the business situation, but it is equally the duty of every patriot to condemn measures manifestly unsound in principle and certain to be dangerous when reduced to practice, and to the latter class of expedients the proposal in question clearly belongs.

AN APPLE A DAY KEEPS THE DOCTOR AWAY

WITH this poetic slogan the Apple Consumers League has begun a campaign for popularizing this American fruit. "Let every New England man and woman," says the League, "eat at least one apple every day. The resulting benefits will be enormous, first to the consumer's health, and, incidentally, to the prosperity of the New England apple producer."

It is pleasant to see this solicitude for the public health combined with prospects of an incidental profit to the grower of New England apples. Some of these gentry are not entitled to much profit if our observation counts for anything. Their trees are in a sorry condition, the home of the caterpillar, the gypsy moth and whatever other destructive insects may choose to make their abiding place there. The soil of the orchards is untilled, the trees unpruned and the fruit wrinkled, wormy and unfit to eat. No wonder that the apples of Oregon and Washington have driven the New England product out of the market. And yet this ought not to be so. An apple that gives forth a little of the tang of the New England winter, or that of western New York, is unsurpassed in flavor.

Some time ago a man who had given long practical attention to horticultural matters was inspecting a display of apples at an exhibition in Boston. Coming to an especially fine-looking lot, he asked where they were grown, and was told that they were from the Hood River Valley in Oregon. A little later, he was told that this answer was in the nature of a "jolly," and that the apples actually came from Maine. On inquiring how much land sold for an acre in the section where these apples were grown, he was told that the ruling price was about $10, against perhaps $1,000 or more in the Hood River region.

Travelling in the West some time ago, the editor of this MAGAZINE stopped at a station in the midst of one of the famous apple-growing districts of Oregon. Near the railway station was a display of several Oregon products, under the direction of a local producers' association. In conversation the secretary of the organ-

ization said that the best apples he had ever eaten came from the State of New York.

The point of this all is, not to depreciate the splendid qualities of the apples of Oregon and Washington, which are justly of world-wide repute, but to show that there is no reason save slothfulness why the apples of New England and New York and of many other sections of the country should not have an equal standing in the markets.

The Apple Consumers' League points out that this year's apple crop is unprecedentedly large, while the war has practically closed the foreign market for American apples. "The result will be that thousands of barrels of apples will rot on the ground, in spite of the fact that thousands of people in Boston and other New England cities would be glad to have some of the surplus crop at a fair price."

Perhaps the League, in its campaign to popularize the consumption of apples, might inquire why it is that with thousands of barrels of apples rotting on the ground in near-by New England, apples that are at all fit to eat are selling in New York at from twenty-four to thirty-six cents a dozen!

It may be asked what has all this about apples to do with banking and finance; to which we reply, everything. For if the people of this country learn how to take care of their crops and how to market them, they will become a thrifty people, and among such a people banking will pretty much take care of itself.

DOING BUSINESS IN DULL TIMES

ALTHOUGH the situation brought about here on account of the European war is one of great gravity, the harm to our business interests may be reduced considerably by a spirit of coöperation, and by wisely directed energy and especially by a determination upon the part of all able-bodied persons to work harder and talk less.

One of the very large financial institutions has been acting on this principle for some time and with rather startling results. Instead of taking a gloomy view of things when the war broke out, and curtailing efforts to increase business, precisely the opposite course was followed, and the endeavor to secure new accounts was pushed by newspaper and magazine advertising and in the other customary ways with rather more than usual vigor. The result, as already stated, was surprising—the business of the institution, since the beginning of the war, has gained far more rapidly than the

average rate, and the results from advertising have never been surpassed in the institution's long and successful history. This statement is based upon carefully tabulated returns showing the number of new accounts opened each day, the amount represented, and the source of all the new business. The record referred to has been inspected by the editor of this MAGAZINE, and it confirms what has been said above.

There is, of course, a rational explanation of why in this case more business has been gained in a time of apparent stagnation than at other more prosperous periods. The institution in question is a very large one, of great strength, and whose business has been growing for several years at a rather remarkable rate.

In times like the present, when considerable distrust prevails. people are more disposed to put their money in a large bank of known strength than in a smaller one whose safety they may regard as being less certain. Besides, there is more likelihood that a large bank will be able to grant the accommodations required in the way of loans, and will generally be better situated to "take care" of patrons in all respects than would be possible in the case of a bank of smaller capital and resources. Furthermore, when a bank starts growing, and gets up a pretty good rate, it keeps rolling up something like a snowball until the maximum of size is practically reached.

But when all these considerations are duly allowed for, the experience of the bank referred to contains a very valuable hint. And it is this: That the strong banks, instead of relaxing efforts to obtain new business, should go ahead as usual, working a little harder than ordinary, if possible, and that their energy will be fairly rewarded.

BANKERS PUBLICITY COMMITTEE

PURSUANT to resolutions passed at the last annual convention, the New York State Bankers Association has appointed a publicity committee, composed of the following bankers: Charles H. Sabin, vice-president Guaranty Trust Company, New York: James G. Cutler, president Alliance Bank, Rochester; F. W. Hyde, cashier National Chautauqua County Bank, Jamestown, N. Y.; James H. Perkins, president New York State Bankers Association and vice-president National City Bank, New York; W. W. Brundage, cashier Bank of Hammondsport.

It is a hopeful sign that the bankers of New York have at last awakened to the fact that the prejudices against banks which dem-

agogues have fostered for their own benefit must be combated by the organized efforts of bankers themselves.

For many years this MAGAZINE has insisted upon the necessity of such action. Those who have read the articles appearing on page 216 of the September number, and page 385 of the October number, will recall how strongly we urged that the State bankers associations and the American Bankers Association should take prompt and vigorous action toward defending the banks of the country from the legislative assaults that are continually being launched against them.

We have always believed and have repeatedly said that the dissemination of sound information about banks among the people was an indispensable prerequisite of sound banking legislation. Heretofore the bankers associations seem to have been content to disseminate their literature among bankers only. But the information, however excellent its character, has not traveled far enough. The various addresses made at the bankers' conventions—especially such as are not technical—would if spread broadcast among the people, in readable form, prove highly instructive. But some of these addresses would have to be condensed, and probably in some cases paraphrased or rewritten entirely before the newspapers would publish them or the people read them.

Doubtless the work of a bankers publicity committee will go much further, and include the inauguration of a campaign of popular education expressly designed to show the relations existing between the banks and the people, making use of the press, public lectures and other sources of publicity.

If a campaign of this character is wisely planned and executed, it may be safely predicted that in a few years the public attitude toward the banking business, as represented by legislation of the States and in Congress, will have undergone a marked change mutually beneficial to the people and to the banks.

The action taken by the New York State Bankers Association is one that should be imitated by every bankers organization in the country.

War and Capital*

By LEWIS B. FRANKLIN, Vice-President Guaranty Trust Company, New York

Perhaps no subject is of more vital interest to the people just now than the economic effect of the European war. Mr. Franklin shows what is meant by the destructive work going on across the sea. His conclusions lead to disarmament as the remedy for the burden of militarism.—EDITOR BANKERS MAGAZINE.

LEWIS B. FRANKLIN
VICE-PRESIDENT GUARANTY TRUST COMPANY, NEW YORK

THE question uppermost in the minds of every banker, trader and capitalist at the present time is: "What effect will the present European war have on my business?" The importer and exporter are, of course, seriously affected by the difficulty now being experienced in the shipment of goods to many of the European countries and the absolute stoppage of our trade with Germany and Austria. The farmer of the West is rejoicing over the present high prices for foodstuffs, while the cotton farmer of the South is considering methods whereby he may decrease his output of cotton for next year and increase his output of corn and other cereals. To the bankers, the situation presents a multitude of interesting problems. We have seen in New York a rapid diminution of our surplus reserve, due chiefly to the enormous exports of gold, the absolute interruption of the normal foreign exchange transactions and the resort to extreme measures to prevent panic and to facilitate mercantile transactions. While these problems have, up to the present time, been absorbing most of our attention, there is another problem to which we must all, sooner or later, give our attention and that is the relation of this war to the supply of capital and the consequent effect on the securities in which we are all, to a greater or less extent, investors or upon which we are making loans.

*Address before annual meeting of Group Nine Ohio Bankers Association.

INCOMPARABLE EFFECTS

IN the effort to determine what effect the war will have upon the price of investment securities, it is natural to refer to the history of other experi-

ences of a similar nature and endeavor to forecast from them something on which we can base our calculations for the future.

Upon careful analysis we find that no war in history is comparable in its effect upon financial transactions with the present upheaval.

The Balkan Wars involved no nation of importance in commerce or finance and the theatre of war was strictly localized. Neither Russia nor Japan was a large factor in international business and their operations were confined to the Far East. The war between Russia and Turkey in 1876-'7 was of similar nature. The Boer War was carried on entirely in South Africa and had no large immediate effect on international business relations, while our conflict with Spain scarcely caused a ripple in the waters of finance. During all these conflicts communication between the great capitals of the world remained open and international trade was not disturbed. It must not be understood, however, that these wars did not have their effect on the finances of every civilized country. Such a destruction of capital as was involved in even the least of these conflicts has a deep underlying effect on the finances of the world that may take years to overcome, even though no immediate change is apparent.

Not since 1870 have two nations which might be ranked as among the leaders in commerce and finance been engaged in war, and for this reason it is natural to review the effect of the Franco-Prussian War upon international finance in general and American finance in particular.

War was declared by France on July 15, 1870. Prior to and after the declaration there was a rapid fall in prices of securities on the London Stock Exchange, such American stocks as were listed there sharing in the decline, while in our market there was no great excitement and only a moderate fall. This was followed here by a considerable rise during the progress of hostilities and immediately thereafter. During this period our money market remained undisturbed, except for a seasonal stringency at the end of the year, due to internal causes, while foreign exchange with the leading capitals of Europe continued normal, except with Paris during the siege of that city.

The amount of our securities sold to us by Europe was inconsiderable and it was not necessary to resort to any extreme expedients, such as the closing of the Stock Exchange.

It may seem strange that any such upheaval involving, as it did, some 1,-700,000 men engaged in warfare and costing over $2,500,000,000, should have such a limited effect on our markets, in comparison with the effect of the present struggle, and yet the reason is not hard to find.

During the calendar year 1869, our total imports were valued at $463,424,-421, and our exports at $394,731,999, a total foreign commerce of $858,156,-420, while for the year 1913, our imports were $1,892,168,000 and our exports $2,638,593,000, making a total of $4,530,761,000, or an increase of about 500 per cent. over 1869. The interchange of credits involved in transactions of such magnitude is enormous, and this interchange has through the disturbance of financial systems been seriously deranged in some cases and entirely stopped in others. With Germany alone, our foreign commerce in 1913 amounted to the stupendous total of $520,647,283, which is now at an absolute standstill, while our commercial relations with other countries are heavily restricted.

In 1870 our country was just emerging from the chaos of the Civil War, our currency was depreciated to the extent of over ten per cent. and we had practically no stock of gold in our banks. On June 9, 1870, our national banks reported liabilities subject to reserve of $406,140,873, against which there was held in the reserve, specie to the extent of only $2,912,275, or less than one per cent. On June 30, 1914, our national banks reported gold or gold certificates in their reserve of $626,000,000.

These facts demonstrate that where-

as in 1870 we were financially weak and unimportant, we are now among the leaders in international finance. In the middle ages the merchant trader sent out his ships with gold in their strong boxes or domestic products in their holds and they returned from their voyages laden with the products of foreign countries. From this primitive method of barter commerce has progressed until the present complex system of international credits has been established, a system far more intricate than that in existence even in 1870, and it is evident that no consideration of the effects of that conflict can be of value at the present time. We have, therefore, in the past no safe guide to point the way to the solution of the problems which have arisen and will arise on account of the crisis.

TEMPORARY AND PERMANENT HARM

A STUDY of the probable effects of the war leads naturally to a division of these into two classes, namely: those of a temporary or artificial nature and those of a permanent or basic nature.

We have already experienced most of the immediate results. We have seen the system of international credit relations disrupted at the first blow. Moratoria have been generally declared throughout Europe, and payments due us are held up while we, as a neutral country, are expected to meet our obligations at maturity. American securities held abroad have been dumped into our markets in such volume that self-preservation compelled us to call a halt by the closing of our principal Stock Exchange and the cessation, by agreement, of the sale of all unlisted securities. Our enormous exports of gold and the consequent strain of our banking facilities have forced us to resort to the expedients of clearing-house certificates and emergency currency.

Our foreign commerce, except in foodstuffs, is almost at a standstill. The Bureau of Agriculture in its recent report gives promise of one of the largest cotton crops in the history of the country. Normally, we export approximately sixty per cent. of this crop, and at the present time, through the shutting down of foreign mills on account of scarcity of labor, lack of demand for the finished product or inability to finance, hardly a bale of export cotton is moving and extreme measures are being taken to care for the surplus which is sure to exist.

Despite the fact that the stringent measures already adopted have prevented panic and to some extent opened the channels of trade, we have still to face the problem of meeting the wave of foreign liquidation which is likely to break upon us upon the reopening of our markets. It has been estimated that American securities to the extent of from four to seven billion dollars are held in Europe, and while it is evident that a large part of these are not for sale at any price, it is quite certain that the drain on the resources of the belligerent nations will be so tremendous as to necessitate enormous liquidation. Their own securities are due to suffer more than ours and our markets are therefore likely to be the most available. This problem must wait until our international credit and commercial relations have been placed on a more normal footing. We cannot buy securities unless we can sell commodities.

If we are unable to take care of our securities now offered for sale by Europe, how can we expect to find a market for the additional securities which corporations are so anxious to sell to provide for maturing obligations and necessary improvements and extensions? The prospect is indeed not a favorable one. There is no market for bonds now and it is hard to say when there will be one and what prices bonds will command when the market opens. In any event, our railroads on the average have now an over proportion of bonded debt compared with the investment represented by capital stock and it should be by additional issues of stock that present necessities should be financed. How this can be done under

present business conditions, and the public prejudice against railroad securities, is a difficult problem.

SOME OFFSETS

AGAINST such an array of unfavorable factors as the immediate result of war, what have we that may be of benefit? In a few lines of business increased activity is indeed noted on the expectation of increased exports of goods to neutral countries heretofore supplied by belligerents. But here again we are confronted with the difficulty of financing any such shipments and the lack of neutral ships to act as carriers. In one respect only is there an immediate benefit and that is in the larger demand at increasing prices for our food supplies, and despite the difficulty of transportation and payment, such shipments are being made in quantity.

It is probable that this abnormal demand for foodstuffs will continue long after the war has ceased. The farmer of Europe has been turned into a soldier, and while his place has been taken to some extent by the women and children, it is evident that the output of the agricultural districts will be greatly reduced both this year and next.

In this emergency, our executives, legislators and business men have been coöperating with a single purpose, to solve some of the intricate problems now presented, and I am hopeful that this close relationship may lead to a better understanding on the part of each and be productive of a more liberal attitude on the part of the Government toward our great railroad and industrial corporations.

Having discussed in a very general way the immediate effects of the conflict, let us delve deeper into the situation and see if we can determine the basic factors and the permanent results upon our economic condition.

The first and foremost factor of an unfavorable nature is the enormous destruction of fixed capital which is occurring, and the consequent expectation of higher rates for its use, as there will be an enormous demand to make good the ravages of war. Just let us consider for a moment the difference between fixed and liquid capital. To reduce this to the simplest distinction, fixed capital is wealth represented by permanent plant, such as factories, rails, cars, steamers, etc., while liquid capital is wealth represented by cash, bank balances, loans and other readily convertible items.

WASTE OF CAPITAL

MUCH has already been written on the cost of the present war and its effects on money rates and the supply of capital, but the mistake has frequently been made of confounding currency with capital and expenditures with waste. From an economic standpoint the waste of capital incident to war is not the total expenses of the nations involved, but is made up chiefly of the destruction of productive property, such as merchant ships, factories, houses and harvests and the temporary loss in the productive capacity of the nations engaged through the enlistment of such a large proportion of their producing population and the permanent loss in productive capacity by death and mutilation.

In a recent article Mr. Roger W. Babson points out that the destruction of battleships and fortifications is not in itself a destruction of capital as such property is not productive.

The destruction of capital in this case took place when the fortifications and battleships were built. It is usual to allude to the tremendous loss which will take place if a super-dreadnought, costing upwards of $10,000,000, is destroyed. The loss has taken place, but not then. The date of the loss from an economic standpoint was the date on which her builders turned her over a completed engine of destruction. She has never produced or helped to produce a single dollar of wealth, she has

been a constant drain on the resources of her owner to keep her running and her destruction is a gain rather than a loss to mankind in general. Another loss will occur when she is replaced, but to this I will refer later.

Neither is the feeding and clothing of an army a waste of capital, as these men must be fed and clothed even in times of peace. The enormous loss in capital which is taking place comes from neglected harvest fields, idle factories, deserted mines and wasted towns and villages, and in the killing and maiming of hundreds of thousands of citizens who have heretofore been producers, and many of whom through wounds and illness are destined to become charges upon the commonwealth. In the aggregate this actual consumption of capital is enormous, but we must not be deceived by some of the figures now being published. Prof. Charles Richet, of the University of Paris, in discussing the possibility of a war such as is being carried on to-day, estimated that it would cost $50,000,000 a day, but of this amount, $25,050,000 is made up of the items of food, pay to soldiers and workmen and the support of helpless poor, none of which can be considered as capital destruction. The item of transportation, amounting to $6,300,000 per day, should probably be divided as being a partial economic waste, while he estimates an actual expenditure for munitions of war of $11,000,000 per day, which is an actual waste of capital, in so far as such munitions are being replaced. In all, his estimate shows a capital loss of over $20,000,000 per day. No attempt, however, to make an exact estimate of either the expenses of the conflict or the amount of the economic waste is of any great value to us, but we may rest assured that the whole world is sure to feel the effects for a long while to come. Capital which for the past few years has been difficult to obtain will be in still greater demand to make good the losses of war, and it is reasonable to look forward to a long period of higher interest rates on fixed investments, a small supply of new capital and lower prices for investment securities unless we can discover offsetting factors of a sufficiently favorable nature.

A RAY OF SUNSHINE

LET us look then and see what we have on the other side of the picture. Possibly there may be a ray of sunshine somewhere.

One of the first results of a condition of affairs such as we are now experiencing is increasing economy on the part of practically every class of society.

I believe that the generally prosperous condition of this country during the last twenty years has led to a gradual reduction in the proportionate amount of savings which has in the last few years contributed to our higher cost of living and our higher cost of capital. It is generally conceded that the maximum of saving does not take place in periods of great prosperity and an upheaval such as the present crisis is often the signal for a return to a simpler scale of living and an increased proportion of saving. It will not take a very large increase of savings per capita to make a radical increase in the amount of capital available yearly. In this connection, it is interesting to note that our people in general are far behind those of other countries in the habit of saving. It has recently been stated that the ten leading nations of Europe boast of 373 savings bank depositors per thousand of population, while in the United States the proportion is only ninety-nine to the thousand. Here is room for improvement. The increase or decrease in the wealth of a person or a nation is the difference between income and expenditure.

I have already referred to increased activity in certain lines of business as one of the immediate results of the war and there are likely to be permanent results of a similar nature.

Efforts are already being made looking to the restoration of our merchant marine to its former place of promi-

nence in the commerce of the world, which, if successful, will result in many millions of dollars per annum formerly paid to foreign carriers remaining in this country.

Our imports of drugs, dyes, chemicals, toys, gloves, clothing, etc., from Germany have been stopped and supplies of these articles are diminishing and prices rising. American ingenuity is already at work in an effort to manufacture in this country much that we have heretofore imported. If this effort is crowned with success, our productive capacity will be permanently increased and our trade balance benefited.

Markets heretofore held by belligerents, principally Germany, whose foreign trade is now at a standstill, are now open to our manufacturers and if our opportunities in this respect are not neglected our export business should be permanently benefited.

The favorable factors just mentioned redound to our benefit as a neutral nation and although of importance can scarcely offset the effect which the general destruction of capital will have on the civilized world and in which we must suffer with the rest. Is there any result of the conflict which may in any way counteract the evil influences upon the general economic condition? I believe there is, but to discover what it is we must consider carefully the underlying causes which led to the outbreak of the war.

UNDERLYING CAUSES OF THE WAR

It is generally conceded that the massacre of Archduke Francis Ferdinand of Austria and the consequent ultimatum from Austria to Servia was the pretext for the war and not its cause. It has been held by some that Germany's ambition to extend her influence through the Balkans to the Aegean Sea, to control Dutch and Belgian harbors, and to further extend her colonial possessions was at the bottom of the trouble. Russia, of course, has always had a jealous eye on the Balkans, and hope for the ultimate possession of Constantinople, and apparently it was the probable increase of German and Austrian influence in Southeastern Europe in case of the overthrow of Servia, that led the Czar into the present struggle. France was bound by treaty obligations to support Russia and her people saw an opportunity of regaining the beloved territory lost in 1870. England and Belgium stepped in upon the violation of the latter's neutrality. With the prospect of an absolute upsetting of the balance of power, self-preservation demanded that Great Britain take a hand in the struggle.

The immediate cause of the general outburst seems to have been the support offered by Germany to Austria in her demands upon Servia and Russia's protest against this action, but we must look below the surface and see if we can discover a motive for this radical move on the part of the German statesmen.

Germany's appropriation for the year ended April 1, 1913, for the maintenance of her army and navy amounted to the equivalent of $285,000,000, an increase of approximately $85,000,000 over 1911. This is equal to about $7.32 per capita on the entire population. This enormous sum and a still greater amount proposed for the year 1914 could only be met by the imposition of an onerous direct tax. The rapid increase in military appropriations was apparently forced upon Germany by the action of Russia, who increased her military budget from $335,555,000 in 1911 to $463,690,000 in 1913. Both Germany and France have also recently increased the term of compulsory military service.

Such a competition in expenditures and in military service could not continue indefinitely. Germany, in addition to the protests against the heavy taxes, was confronted with an ever growing wave of socialism. The Socialist has always been arrayed against war and in favor of peace, and this movement was of sufficient strength to threaten even the established form of

monarchical government. Something had to be done to stop or justify the mad competition of military expenditures to quiet the socialistic element, and to reëstablish the "Divine Right of Kings." Germany was ready; her enemies not so ready as they would be in a few years. War was the only solution and a pretext was not hard to find. In other words, I believe that Germany's action was inspired by causes internal rather than external.

Granting if you will that this hypothesis is correct, what bearing has it upon the subject of capital and interest rates?

OUTCOME OF THE STRUGGLE

THERE seem to me to be three possible terminations to the struggle:

1st—Mediation before complete victory by either side.

2nd—Complete victory for Germany and Austria.

3rd—Complete victory for the Allies.

In case the war is settled before a decisive victory, it seems to me that while there may be important adjustments in the map of Europe, no radical changes of an economic nature will result. Europe will continue to be an armed camp, and it is not unlikely that the struggle would be renewed some years later. Military equipment, battleships, forts and guns destroyed in the conflict would have to be replaced and military appropriations would continue on an even heavier scale. In this connection it must be remembered that Europe is even now staggering under a load of national debt approximating, for the five principal nations only, $20,000,000,000, demanding at three and one-half per cent. $700,000,000 per annum for interest alone. The world, already suffering under its present load of debt and useless expenditure, and with the ravages of war to be paid would indeed be in a bad way, while the condition of Europe from a financial standpoint would be appalling.

Under such circumstances what can we expect the effect to be upon our securities and upon the future financing of our great corporations. Europe until recently has been a constant and heavy purchaser of our stocks and bonds and has been of immense assistance in developing the natural resources of the country, but if her burdens are to be increased to the extent that I have outlined, we need look for no more help from that quarter and would indeed be compelled to repurchase many of our securities now held abroad. With such a prospect before us we cannot but anticipate higher interest rates for fixed investments, greater difficulty in selling securities and a consequent period of retrenchment.

In case of a complete victory for Germany and Austria, the result is also easy to forecast. Germany has been created, enlarged and solidified by the "blood and iron" policy enunciated by Bismarck in 1863. Her military organization again justified by victory, is it reasonable to suppose that she would agree to abandon the sword which has brought her into power? And if Germany retains her army and navy in undiminished strength, can others afford to adopt a different policy? We think not.

The third possible outcome presents a different aspect. In case of complete victory for the Allies, it seems evident that England will have a predominant position in the making of terms. She wants little or nothing in the way of territory and desires chiefly the prosperity of her people and the peace of Europe. England, only a short time before the war, is reported to have made, without result, a suggestion to Germany for a mutual reduction of the naval programme. This indicates that England, despite her small standing army, has felt the strain of military expenditures even in times of peace, and the attitude of her diplomats prior to the outbreak clearly demonstrated her desire to prevent the conflict. France, with all

her warlike history, is a peaceful nation at heart, while Belgium desires only reparation for damages and an effective guaranty of neutrality. Servia and Japan cannot be considered as important factors in the making of terms of peace. Every nation involved has felt the enormous strain of military expenditures and in the event of an ultimate victory for the Allies, is it a wild dream to expect that as the only remedy the practical disarmament of Europe, nay, of the whole world, may be the outcome? Germany, beaten, with its military organization unjustified, would hardly be in a position to protest or even to persuade her own people to rebuild the organization, if such a thing were to be allowed under the terms of settlement.

Russia, with its monarchical government, seems to be the key to the problem, yet it must not be forgotten that whatever his motives, it was from the present Czar, even then disturbed by the growth of military expenditure, that there came in the year 1898 the first tentative proposition for universal disarmament. If this could be accomplished, what would it mean to Europe and to the world?

THE MILITARY BURDEN

DURING the last fiscal year for which figures are available, the estimated expenditures of the principal nations of Europe for military purposes amounted to the huge total of $2,000,000,000. Imagine, if you can, what it would mean if this sum were to be diverted from the support of the destructive forces and used in the development of the natural resources of the world. Such a sum added to the present amount available annually for investment would mean an abundance of capital for industrial development, both here and abroad, lower interest rates and probably lower cost of living. Add to this the transfer of some 4,500,000 men which make up the standing armies of Europe on a peace footing, from a life of economic waste to productive pursuits, and it is not hard to believe that Europe would require very few years to recover from the ravages of war and enter upon a long period of prosperity from which we would be one of the greatest beneficiaries. Under such conditions, capital would accumulate with surprising rapidity, and Europe would soon be a heavy buyer of our securities, and we would witness in this country an era of expansion and prosperity such as we have never before experienced. If disarmament can be accomplished, the outlook is indeed bright, but under no other conditions can I feel that there is anything to look forward to except a long period of retrenchment, lack of capital, high interest rates and general business depression in which Europe will be the principal sufferer, but in which America is bound to share.

The United States, as the greatest neutral nation, with nothing at stake, except the progress of humanity, is in a position to exert her strongest influence with her friends on the other side of the water that permanent good may result from this awful catastrophe.

Under such circumstances, is it not the patriotic duty of every American, regardless of his present sympathies, to work unceasingly to the end that public opinion both here and abroad may be so united and strengthened in the resolve for complete disarmament that it can be disregarded by neither Congress nor Parliament, Czar nor Emperor?

In making these suggestions as to the possible outcome, I do not want to be understood as taking a partisan attitude or violating the injunction of our President as to strict neutrality, in thought, word and deed. It is surely not partisan but Christian to hope that the outcome may be such as to relieve the world of its burden of militarism and usher in an abiding era of peace, prosperity and happiness.

The Theory and Practice of Credit

(Second Paper)

By W. H. KNIFFIN, Jr.

THE PSYCHOLOGY OF CREDIT

EXPRESSED in simplest language, credit is the belief that men will keep their engagements. It is confidence that the promise will be fulfilled. It matters not whether the promise is one of a government to pay a million dollars, or that of a laborer to pay the grocery bill he runs at the local store, the credit is extended upon the belief that the debt will be paid.

The granting of credit is a psychological process—a mental gymnastic. From the facts submitted the credit man must determine the likelihood of the debt being paid. He weighs the pros and the cons and makes his decision. He plays the role of the juryman, whose duty is to seek the truth and apply principles to the particular state of facts. He knows men. He knows business and business risks. He knows the customs of the trades. He knows the condition of trade and the condition of trades at a particular time. It may be, for instance, that he has an application for credit from a suit and cloak firm. He will know if styles have suddenly changed, leaving manufacturers stranded with an avalanche of cancelled orders. He will know that a backward season has hurt sales. He will know that collections in certain sections are slow; in others good. In one part of the country crops may be good and money will be plentiful and cheap; in another dear. Just now he must weigh the probabilities of a great war. The collapse of the world's credit machine is a new force for him to reckon with. He must be a seer—one who sees; a prophet—one who looks ahead. How he gets his information is the secret of the profession.

His risks are the outcome of his mental processes. He expresses his hopes and his fears by granting or withholding credit. He first gets his facts, then forms his conclusions, passes judgment and awaits the result.

He may be influenced by friendship, pity, family ties, hesitance to say "no"—fear. He may be inexperienced in the ways of men and a poor judge of human nature. He may be reckless, or ambitious to build up a business or a bank, and extend credit to those unworthy. He may be a poor psychologist and prove a poor credit man; but whatever the result of his labors, every credit is the result of mental conclusions, either carefully or carelessly formed. It may be mere hope that the borrower will pay; it may be knowledge that the borrower will, in all human probability, pay. And having come to the latter decision, he has done all that the occasion requires. If he has simply acted upon the former impulse, he has scarcely made a good beginning. And many a bank loan rests upon the insecure foundation of hope.

ALL MEN NOT HONEST

THE mental exercise through which the lender goes before credit is extended may be simple or complex, scientific or careless, but follows one of four general lines:

(1) The belief that all men are

honest, which isn't so. Any concern which extends accommodation upon the assumption that credit may be granted to all who ask, upon the broad proposition that the human race is imbued with inherent honesty, and all men regard their word as good as their bond, and their debts sacred obligations to be met if humanly possible, will soon find its shelves empty, its bank account exhausted, and its books full. This, no doubt, is the reason for the many bankruptcies in the retail trades, the failures in general stores and dealers handling groceries, meats, fish, etc., amounting in number to over 4,800 in 1913 with liabilities of over $28,000,000.

Credit in such establishments can be extended on no other basis than faith; for even a near-scientific method is quite impossible. Large mercantile houses and the large department stores, however, operate credit departments which make an investigation into the risk before opening a credit with a customer; but even this can go but little way to protect the creditor if the buyer is dishonest. And even with the utmost care and good judgment errors will be made and losses sustained.*

But in the smaller establishments credit is based upon personal knowledge, often more or less casual, and the hope that the buyer will pay. Frequently payment is made promptly for a time in order to establish credit relations, and gradually the account is built up until it assumes dangerous proportions and loss results. The retail grocers are subject to this experience most of all. Weekly or monthly bills are contracted and promptly met for a time. Then part of the amount due is paid, buying still continuing, small payments being made, until the debt grows larger instead of smaller, and often the debtor moves to parts unknown, leaving the dealer's profit, and sometimes his capital, on his books as a worthless account receivable. There is now a movement to register all customers of grocers, so that a blacklist may be kept of all bad risks, and reported to the trade in general as a protection against abuses. Credit that is extended upon such grounds is not only unsound, but highly dangerous—quicksand to engulf the unwary.

Bank credit is often granted on the same principle. The bank man knows, or thinks he knows, his borrower. He deems him honest. He takes his note, renews it from time to time, worries over it, endeavors to get it reduced, or get an indorser; but after renewing until hope is lost, charges it off as one of the items in the "foolish fund." But all credit granted upon such belief is costly, whether in banking or mercantile life, and is rapidly giving way, particularly in banking and large enterprises, to more scientific methods.

TWO MEN BETTER THAN ONE

(2) The belief that if one does not pay, another will; therefore to the credit of the borrower is added that of another person, either upon indorsement or guaranty. This is more often used in banking than in other lines, it being frequently required that there shall be more than one party to the credit—"two-name paper." In European practice this is quite the general rule, credit instruments carrying at least two names being necessary to obtain the rediscount privileges of the central banks. But in smaller transactions it would be impossible to obtain this safeguard, the small debtor finding it difficult to obtain a guarantor of his debt, although in the coöperative credit systems of Europe this form of credit is most common; but this is due to the close association of years, family descent and personal contact that warrants risks of this kind. But to require the average man who asks for small credit to obtain a surety would be quite impossible.

PAST PERFORMANCES

(3) The belief that having paid in the past, the debtor will continue to pay in the future. The credit of the

*The losses in one of the large department stores of New York are but one-quarter of one per cent. of the amount of the charge sales.

borrower or debtor may be ascertained from his "past performances." This may take on the character of close investigation into previous business dealings, or it may be based upon personal knowledge of the debtor's record. Thus a country grocery may change hands. The previous owner may place in the hands of the new proprietor a list of all customers known to be good pay. They have paid him regularly; they doubtless will continue to pay regularly. They may be trusted. Some may be trusted to limited amounts; others not at all.

In the retail trades the inquiry often takes the form of an investigation into the applicant's promptness in paying among dealers with whom he has carried an account. It may be an inquiry of the butcher, the tailor, the grocer; or it may be ascertained from a classified list compiled by commercial agencies giving the experiences of such dealers; or it may be a special report, carefully gathered.

In banking the inquiry assumes the form of an investigation by a bank buying commercial paper, to ascertain if all such debts have been promptly met in the past, by correspondence among banks that have held such paper, and their opinion of the paper; or it may be an investigation by a bank or mercantile house as to the promptness with which the debtor has met his bills. If he has taken his trade discounts it is a sure indication of good management and sound standing. His reputation with the trade is important.

PROPERTY RIGHTS

(4) Belief that the borrower has property or property rights sufficient to warrant the risk and assure payment. Such credit is based upon the debtor's financial condition. This, too, may be elementary, and consist merely of the knowledge that the debtor owns a house and lot, or a business, or other property, which warrants the conclusion that he will pay because he has the means; and because he has the means he will pay. Or, it may be the result of more careful methods, such as an inquiry into his financial affairs which finds expression in a statement of condition which, if honest and conservative, will reveal his financial standing.

A loan based upon collateral is not in the true sense a credit; for in the last analysis the advance is not made on the credit of the borrower, but upon the value of the property pledged as security. The mental process which pertains to such a transaction is not such as precedes the granting of an open credit; for the creditor says to himself: "I have property worth so much, under my control, belonging to my debtor. I think he will pay; I hope he will—but if he doesn't, I have enough of his property pledged to me to reimburse me, even though it declines in value; for I have a margin for shrinkage." This is particularly true in mortgage and collateral loans.

Upon these simple thought processes all credit operations rest. And the quality of the credit depends upon the degree in which these principles exist in a given transaction. But they are capable of infinite expansion and of manifold combinations, so that no two credit risks are exactly alike, and general rules must be applied in the light of the business under test. It is as difficult to apply abstract rules in credit as to apply abstract rules in mathematics. But if the rule is explained by applying it to a problem, clearness follows, and the student grasps the theory by having it applied. It is so in law, or any other department of learning. It is so in credit.

ANALYSIS OF CREDIT STATEMENT

(A Department Store)*

STATEMENT AS OF FEBRUARY 10TH, 1912

ASSETS

Merchandise on hand..........	$866,268.00
Fixtures	93,232.00
Bills receivable	151,400.00
Cash on hand.................	2,790.00
Total	$1,113,690.00

*An actual statement as rendered to a bank, with the figures multiplied (or divided) by two to conceal identity and yet maintain the equilibrium.—W. H. K. Jr.

LIABILITIES

Accounts payable	$288,000.00
Borrowed from bank	240,000.00
Borrowed from bank	50,000.00
Capital	400,000.00
Surplus	135,690.00
Total	$1,113,690.00

COMMENT

THE above statement is exceedingly simple. It is that of a department store. We first note that the date is February 10th, after the holiday season, when stocks are reduced and the heavy holiday trade is over. We should expect to find plenty of cash on hand and in bank; but the first thing that strikes our eye is the small cash balance—$2,790—probably not enough to meet one week's payroll. The merchandise we assume to be salable, as department store merchandise generally is, the slow moving and unseasonable material being worked off by cutting prices until sales are made and the stocks cleaned up. The fixtures are an uncertain quantity. We would want an inventory of them to ascertain just what they consist of, how old, what they cost, amount that is charged off yearly as depreciation, etc.

Bills receivable—$151,400. This looks suspicious. Why should a department store selling for cash or to charge customers, have any *bills receivable,* except it may be a few taken in settlement of old accounts? Are they due bills of the partners? Are there no accounts receivable?

The quick assets are about two to one of quick liabilities, and yet the statement does not look good as a whole. The firm owes for merchandise $288,000 and has but $2,790 in bank to meet its bills. It has borrowed from its bank $290,000 and yet one-third of its merchandise is not paid for (presuming the accounts payable are all for merchandise). Does it discount its bills? How does it stand in the trade?

The firm has a surplus of $135,000. The surplus in balance sheets of this kind means little. It is merely the difference between the assets and the liabilities. The merchandise might be overvalued; the stock may not be fresh; the fixtures might be too high and the bills receivable unsecured. Before making any advance to this firm we would ask for a profit and loss statement covering at least two years past; a certificate from a certified public accountant that the above statement was correct, and explanations as to the questions raised above. It is not a good statement for the purposes of granting credit and is here given because of that fact.

Farmers and Bankers

ACCORDING to the Old National Bank of Spokane, Washington, the country banker is the custodian of the credit created by his community in following sound methods of business. To place at the service of unbusinesslike farmers and merchants these resources is to misplace them. The greatest service the individual banker, or a banking committee on agriculture, can render to the farming industry of its community, is to stand by the prosperous farmer who works by sound methods, and to point out to the non-prosperous ones wherein their methods are defective, and their credit unavailable for borrowing purposes.

Farming ought to be, under normally sound conditions of management, one of the safest occupations in which to invest capital. But a bank has no business betting on the wrong horse, anyway.

Selling Bank Service

By L. and R. DEAN

The bank salesman—who does not sell goods but services—a comparatively new figure in the business world, becomes a person of considerable importance as banks find it necessary under changed conditions to reach out for new accounts. Departing from the usual dry-as-dust style common to banking and financial literature, the authors of the paper published below tell interestingly of some of the trials and triumphs of the bank salesman.—EDITOR BANKERS MAGAZINE.

IF a dapper stranger with a bristling moustache, keen eyes, and a rampant striped waistcoat should approach you on Broadway with the kindly offer, "Let me keep your money for you"—what would you do? Ten to one you would beckon to a policeman to attend to your pleasant-spoken accoster.

There are, however, at this present moment, a number of clever, able men in all parts of the United States who are saying to presidents of banks and corporations in every town and city, "Let us keep your money for you"; and instead of being marched away by a blue-coated representative of the law, they are often taken cordially by the hand and invited to sit down and explain their proposition further. It very often happens that as a result of the interview a letter goes back home to the big bank they represent, something like this:

Squantumville, Ohio, October 9, 1913.
Tenth National Bank, Chicago, Ill.

Gentlemen: Jones Manufacturing Co. will open with $10,000. Please send blanks, etc., at once, and confirm my solicitation on the usual terms.

Very truly yours,
J. Brown.

And who is Brown? He is a travelling salesman who has just succeeded in selling the Jones Manufacturing Company the service of the Tenth National Bank of Chicago, which he represents.

"Travelling salesman for a bank!" It has a queer, foreign sound to many ears, but it's true. Modern banking methods are a far cry from those of a decade or so ago, when about the only advertising they did was by the soliciting letter.

Do you remember the kind of letter a conservative old bank used to confidently launch forth? Boiled down, its sentiments amounted to about this:

BANK OF SELF-SATISFACTION

Inarut, Indiana, March 1, 1914.

Dear Sir: We are convinced our bank is absolutely suitable for you to ally yourself with.

Our word is good enough for us. It *certainly* ought to be good enough for you.

We hereby absolve ourselves of any obligations or responsibility for the truth of the above.

Yours truly,
U. N. PROGRESSIVE, Pres.

And as everyone knew the men who ran that bank were honest, wise bankers who either didn't have any faculty for writing business letters, or more likely thought it would be too wild a breach of financial etiquette to make a real bid for new business, those letters didn't turn away as many accounts as you'd think.

Then came the form-letter and its variations.

The Farmers' Bank, in Seaville,

Ark., gets letter A. Henry Smith is president and his bank isn't doing such a rushing business but what he has time to slit open the interesting envelope with his advertising paper-cutter and take a look at the contents. Letter A is considered "in the office" to be a "darned good letter, though if you see any little minor changes you want to make, Miss Carter, you go right ahead and make them, but by George, I don't see how it could be improved." It has a nicely-spaced typewritten address and it sounds the Personal Note, capital P, capital N. It is supposed to demonstrate conclusively to Henry Smith why an account with the Blank National Bank of St. Louis is a necessity if "you wish to develop your business along the lines," etc., etc. Well, perhaps, but the human eyesight is still pretty middling fair out in the country deestricts and a typewritten address and mimeographed letter spell I-M-P-E-R-S-O-N-A-L from "Dear Sir" to "Yours truly," whatever sentiments to the contrary intervene. So into the waste basket it goes and there is a silence while "in the office" the automatic follow-up index is slowly grinding its way toward August 19, 1914, Farmers' Bank, Seaville, Ark., Letter B.

This time Smith happens to be going over to the Marine National just as the letter comes, and he takes it along to show Bill Robinson to ask him what he thinks. He finds Bill has one, too. But different. You can see it is different because in the seventh line an "and" is changed to a "but."

"No, that method didn't get the results it ought to have. Strange! They were such darned good letter, I can't understand it!"

Hence, the travelling salesman.

DIFFERS FROM OTHER SALESMEN

A BANK travelling salesman differs from other varieties in that he carries no suit-case of samples. He is selling something which is intangible. He is selling service and back of service is the prime factor of personality. Who are the officers? Who are the directors? What men are running the bank? These are the first vital questions. A bank salesman carries no handy working model of his bank—he is a working model of the keen, intelligent, wise, reliable men who run it. That's why the bank selects the pick of its force to represent it.

Do you remember the kind of material they used to command in the bank years ago? "Well, Bill's been a little wild. He didn't get on very good at college and we had to take him out and we've tried him at everything, but he can't seem to settle down, so we've about decided to put him to work in the bank for a year and I guess it'll take some of the spirit out of him." No doubt it did. Or, "Jim can't seem to get his lessons and he's so shiftless and slow he can't seem to stick anywhere, so his father's got him a job in the bank!" The employees were mainly the village cut-ups, for sobering purposes; the dull ones who weren't "smart" enough to hold a job elsewhere; and some pale, bespectacled relative of a director, forced in for "personal" reasons. The officers were all prosperous business men who attended to banking on the side. Heaven knows, they would have welcomed efficiency then, as now, but they weren't allowed a payroll big enough to attract it.

Nowadays, the bank demands the best material there is. The salesman, as can be seen, must be an all-around bank man with an agreeable presence and a faculty for "meeting people." From coast to coast, and border to border, the accredited representatives of the big city bank scour the country, sometimes spending several days in the larger cities, sometimes visiting several small towns a day, calling on banks and business houses alike and trying to win friends and customers by their convincing presentation of their particular bank's superior facilities for handling accounts.

Although these representatives may be shifted from territory to territory,

it is usually the case that one man is given a particular section of the country for a number of years, as the principle of the "cumulative appeal" holds good in this field as in most others, and results begin to show in the opening of the new account after the fourth or fifth prod by the persistent salesman. His task is first to make friends, then to solicit accounts —the first a prerequisite of the second.

Mistakes sometimes occur, however, and once in a while the man in the home office who allots the territories unwittingly allows them to overlap. Perhaps Allen gets a little slice of McIntyre's and neither knows it until—

In the words of a bank salesman I know: "Here I'd been working over President Jenkins three solid hours, talked him deaf, dumb and blind and finally wormed a promise out of him to send us a remittance. Then just as I bow myself out of the room backward, Cornish, of our bank, comes in another door. 'And who are you?' asks our man. 'I'm from the Tenth National Bank of St. Louis, Mr. Jenkins,' answers Cornish, smooth as you please, 'and we're very anxious to have your account.' 'So I've been told!' comes back the other fellow, and say! He just clouded up and rained on poor Cornish. But we got the account."

The bank man on the road must possess, in common with all other salesmen, the ability to "size up" a bank or business he has been given as a possibility and estimate its worth as a potential account. The credit department conducts an investigation, and if its decree is favorable, the salesman is signalled "Full speed ahead."

Suppose he is directed by the bank to call on the Carlton Flour Company of Camnia, New York, and solicit the account. "What can we expect in the way of accommodation during our borrowing season?" is the next query after the preliminary skirmishes are over. This decision is made in the home office after the credit information on the Carlton Company, the salesman's impressions and all available facts have been weighed—the salesman's ideas being perhaps discounted just a little because of possible over-eagerness to "land" the account. If the answer is favorable, and there are no officers of a rival concern on the bank's board of directors, the Carlton Company will promise to open an account. "Promise to open an account!" To the salesman these words are as dust and ashes in his mouth.

"We have decided to open an account with you."

Three days later:

"Yes, we have received the blanks."

Three days later:

"No, we have not attended to that matter just yet, although we hope to in a day or two," etc., etc. There is no shade of procrastination, delay and deceit with which the travelling salesman, together with the real estate man, is not familiar. Bitter disappointment and confident expectation are their two normal states of mind. Their elastic natures seem automatically to rebound after each "throw-down," and they are never in the dumps long.

It is considered good business to solicit concerns who may be carrying accounts with rival banks, but if they express complete satisfaction with their present connections the matter is usually dropped. Again, under the ethical code of the "new business" man, accounts "belonging" to affiliated institutions are seldom solicited. As they say in Boston, "It wouldn't be considered quite the thing."

A bank may have any number of commercial accounts in one city or town, but the number of correspondent banks in one locality is, or rather has been, limited. This is so because correspondents of a large city bank expect a share of its profitable collection business for their locality, and the large bank cannot in justice divide up its items among too many correspondents. In determining the number of "bank" accounts which may be legitimately sought, both the size of the city and of the banks, together with any balances at present carried, are taken into consideration.

The Federal Reserve Act, however, proposes to provide the machinery for collection facilities outside of the present cumbersome system, and do away with this phase of bank service. There would then be no reason on that account why a large city bank could not have the accounts of all the banks in a town—if it could get them. On the other hand, by taking away from the city banks the reserves of the country banks, each account will be proportionately diminished, and perhaps in some cases closed altogether. In most cases, however, the benefits derived from association with a strong metropolitan connection will induce the country bankers to continue their present relations, although carrying much smaller balances than at present.

The lay reader will probably have guessed that tact and diplomacy are not the least important attributes of the bank salesman. Despite a conscientious application of these qualities, he will sometimes find himself up a tree. A too-ambitious road man I know, named Carter, who represents a big Chicago bank, visited—let's call it Alco, Texas—not long ago. He already "had" the Alco National, but the account wasn't very valuable and he had decided to make a pretty strong bid for the Traders Bank, an account worth four times as much. He strolled boldly over to the Traders', had an interview with the officers and left, patting himself on the back over the good impression he had made. When he got back to the hotel and thought things over, he decided he'd better not leave town without just dropping in on the Alco National as usual. As he stepped in the door, smiling blandly, a firm and heavy hand was laid on his shoulder and he was marched straight into the board room, where, among others, his horrified gaze fell upon a local business man who had been present at his gratifying call at the larger bank earlier in the morning. Confronted with the possibility of losing both accounts, and getting "in wrong" with his home bank, the unhappy representative, sweating at every pore, was almost compelled to get down on his knees before the enraged board were appeased and he was allowed to board the outgoing train. Needless to say, Alco knew him no more.

From what was hinted above regarding the effects of the Federal Reserve Act on the deposits of country banks in city institutions, it will be seen that the relative importance of "bank" accounts, as distinguished from commercial, will in future be much diminished. The emphasis will be placed on the securing of accounts from business houses, and the city bank with efficient service, convincing arguments, and ingenious schemes for securing this kind of new business, may hope to atone for the loss in one class of deposits by the increase in the other.

SO don't be afraid when a pleasant, well-dressed, intelligent young fellow comes in and asks that old, old question: "Can't we keep your money for you?" He's not a Broadway sharper—he'll give you five-million dollar service for a five-hundred dollar account—he's travelling salesman for a big city bank.

Formation of Credit Unions

A NEW plan of savings and loans advocated by the Russell Sage Foundation which promises to produce important results is about to be undertaken by the employees of a number of large corporations in New York.

The need for small loans is in many instances a symptom of an underlying need of better savings facilities, for the man who can manage to pay loan shark rates, could, if so inclined, put aside a small amount each week with regularity in provision for emergencies. That he has not been encouraged to do so by the regular savings institutions is due to the fact, that in order to be thrifty, many a man requires something more than a safe depository for surplus funds; he requires an agency which will make its hours of business conform to his convenience, which is conveniently located, which does not require him to stand in line for a long time awaiting his turn at the expense of his lunch hour and possibly of some of his employer's time; he requires an agency to which he is not ashamed to bring a dollar, fifty cents or even a quarter; an agency which once he has associated himself with it will constantly remind him of his resolution to save and which will reward his thrift by extending credit to him upon easy terms of repayment secured solely by his character and personal worth—credit which will enable him to effect economies in purchasing and embark in productive enterprises, and will protect him from the usurer.

This is the field of the Credit Union. It not only provides an attractive and safe medium for savings, but as it is a purely coöperative organization composed of a small homogeneous membership, mutually acquainted, it is able to make loans safely to its members secured by an intimate knowledge of their personal character and responsibility, a knowledge that cannot be obtained by an impersonal commercial lending agency except at great cost. Through coöperation, credit facilities are brought within the reach of those who individually could not obtain them. The Credit Union, though encouraged by the employer, is not operated or influenced by him, and, therefore, meets the objection which may be urged against loans by employers.

The Credit Union as authorized by the New York statutes of 1913 and 1914 and advocated by the Russell Sage Foundation, is an adaptation of the European and Canadian coöperative people's bank. The remarkable success of the Canadian institutions prompted the State of Massachusetts to enact a law in 1909 permitting their formation in that State. The following is an excerpt from the report of the Bank Commissioner of Massachusetts for 1913: "Thirty-four Credit Unions have made their annual reports, showing assets of $185,151.57, an increase of $91,071.16 over last year, and a membership of 4,529. Their total receipts during the year have been $394,994.92, and the total loans, $146,740.53. The success of many of these organizations which are now doing business seems assured, and it appears equally certain that their usefulness will broaden as time goes on. The field is not nearly exhausted, and these unions cannot fail to be an established feature in the community. A little unselfish work at their formation, coupled with a display of some executive ability on the part of their organizers, is bound to prove the necessity for their existence and their power for good."

Eighteen Credit Unions have already been organized among Jewish farmers in New York, New Jersey, Connecticut and Massachusetts.

The Division of Remedial Loans of the Russell Sage Foundation has just published a pamphlet by M. Alphonse Desjardins, the founder of coöperative banking in Canada, describ-

ing the work of the Canadian People's Banks, and "A Credit Union Primer" by Arthur H. Ham, Director of the Division, and Leonard G. Robinson, General Manager of the Jewish Agricultural and Industrial Aid Society, which outlines the field of Credit Unions in the United States and gives complete instructions regarding their organization and operation including specimen books and forms needed and model by-laws approved by the State Banking Department.

Interest in the Credit Union idea is spreading with rapidity and Credit Unions are now in the process of organization in New York among the employees of a telegraph company, two life insurance companies, a paper manufacturing company, a commercial college, a department store and a large manufacturing establishment, the members of a yachting association and a suburban community. It is expected that many of the loan funds and savings plans maintained by employers will be converted into Credit Unions in the near future.

On account of the increased incentive to thrift caused by existing conditions and the increased need for thrift at this time Credit Unions formed now start under favorable auspices. The advantages of the Credit Union over other plans for savings and loans among employees may be summarized as follows:

1. It is purely coöperative. Borrowing and lending members are both given fair treatment.

2. It is an association of men and not of capital. Each member has but one vote.

3. Loans are made only to members and care is therefore taken to admit to membership only the honest and industrious.

4. Loans are made only for purposes which promise to benefit the borrower.

5. Shares are issued in such small denominations and deposits accepted in such small amounts as to be within the reach of the humblest.

6. Since Credit Unions are formed on the principle that a man's best asset is his associates' estimate of him, loans may safely be made to members without other security than a promise to repay.

7. Members are required strictly to live up to their contracts.

8. As officers and committees serve gratuitously overhead expenses are practically eliminated and loans are consequently made at low rates.

9. Though a self-governing body free from the taint of paternalism the Credit Union is under the supervision of the State Banking Department and is thereby required to organize and operate in accordance with proven principles.

Identified

FROM "Bank Service," published by the First National Bank, Los Gatos, Cal., comes this story:

One day a big city bank received the following message from one of its country correspondents: "Pay $25 to John Smith, who will call to-day." The cashier's curiosity became suspicion when a cabman assisted into the bank a drunken "fare" who shouted that he was John Smith and wanted some money. Two clerks pushed, pulled and piloted the boisterous individual into a private room away from the sight and hearing of regular depositors. The cashier wired the country bank:

"Man claiming to be John Smith is here. Highly intoxicated. Shall we await identification?"

The answer read: "Identification complete. Pay the money."

Banking and Commercial Law

CASE COMMENT AND REVIEW

The U. S. Mail

THE mail service is one of infinite detail. To trace a letter from the corner box to the addressee affords interesting reading, and is conclusive proof of the efficiency of the machine which collects and delivers it.

Business men depend on their letters arriving at their destination at the expected time. Banks depend upon the mail in calculating interest, exchange charges and in permitting checks to be drawn against deposits.

Moreover the law will assume that the mail arrives in due course unless it be shown that delay ensued, and it often becomes *the* important question in a case to determine when the mails arrived.

In a North Carolina case, such was the point at issue. It was of vital import whether a check arrived on Friday night or Saturday night. The check went from New York to Philadelphia, and from there to Greensboro, North Carolina. In due course it would arrive on the evening of the 7th, and be in the bank on the morning of the 8th. The drawer was good for it on the 8th. He attempted suicide on the morning of that day, and his insolvency became known. On Monday, the 10th, the bank sought to cover its loans to him by charging up a note, protested the item (although the case shows the account still to have been good for it) and returned to the collecting bank.

It was a very material fact to determine if the check reached the bank on the 8th or on the 10th; for if the bank held the check twenty-four hours without action, it would make an acceptance, and the bank failed in its duty to promptly present and protest, thereby protecting prior parties.

The bank claimed that the check was found in its mail on the 10th, in a seeming endeavor to avoid the responsibility that would have resulted had the check been received on the 8th; for the account was good for a large amount over the face of the check in suit during the 8th and 10th. It was a material fact to determine if the mail arrived on time (which was shown) but more, that the check was included. The case was sent back to determine this question. (See Standard Trust Co. vs. Commercial National Bank in this issue.)

Another Rift in the Blue Sky

THE second of the "blue-sky laws" —a reform wave which has within the past few years swept the country until twenty-two States passed restrictive investment laws, has been declared unconstitutional. The Michigan law was first to go down under the assaults of the opposition, and Iowa follows next. The two laws were somewhat similar, and were attacked on similar grounds. These were:

(a) That the act offends against the fourteenth amendment by depriving persons of property without due process, and denies the equal protection of the laws and abridges the privileges and immunities of citizens of the United States; (b) that it offends against the commerce clause of the Federal Constitution; (c) that it grants privileges and immunities to citizens of Iowa denied to citizens of other States; (d) that it is a delega-

tion of legislative and judicial power; (e) that the act was not regularly passed.

In the opinion the court says:

"While courts of justice may not concern themselves with the wisdom or policy of a law the validity of which is challenged on constitutional grounds, such consideration being alone addressed to the law-making power, yet it may safely be observed in this case, the purpose of the act under consideration as declared by the Attorney General of the State, namely, to protect the humble, honest citizens of the State, unlearned in the intricacy of business affairs as conducted at this day, from being plundered and despoiled of their small earnings and property, acquired through years of patient toil, by the alluring machinations and the deceptive, misleading and fraudulent devices which the unscrupulous, cunning and deceitful 'get-rich-quick-Wallingfords' of our day practice, is a most laudable obligation and important duty of the State. And if this State, in its attempted compliance with such just obligation to its citizenship, be not found, by a careful study and analysis of the act in question and a reasonable and rational comparison of its provisions when ascertained and understood with the organic law of the Nation or State, to have clearly and certainly violated some fundamental principle thereof established by the people for their mutual protection from invasion by the law-making power, it is the clearly defined and well recognized duty of this court to uphold the act and allow the people, in the manner authorized, by the organic laws of the State, to modify or repeal it, if on fair trial it be found vicious or harmful in actual operation.

"Coming now to a consideration of the act for the purpose of determining whether it does in express terms and undoubted meaning and intent contravene any provision of the organic law of the Nation or this State, it is seen to undoubtedly prohibit any person or citizen, natural or corporate, of any foreign State, from selling or offering for sale, in person, or through another, in any manner or way whatever, any stocks, bonds or other securities or obligations, of every kind and nature, to any person within this State, unless the provisions of the act are first complied with, under heavy penalties. That is to say, by its express terms the act prohibits a citizen of a sister State of this country, owning and having stocks, bonds, certificates or securities, although the same are listed on the exchanges of the country and have a well established actual and salable value, from either bringing or sending the same into this State for sale unless he first meets the exactions of this law, or by so doing subjects himself to its penalties. Nor, may he enter upon and conduct negotiations looking to or consummating a sale of his property by correspondence through the mails of the country, either personally or through his agent, without compliance with the provisions of the act or abiding its penalties.

"Can it be a State of this Union, under our Constitution, possesses the power to punish the doing of such customary, everyday transactions unless the conditions, exactions, regulations and restrictions imposed by this law be first met and performed?

"That the act in express terms and by inclusive definitions employed therein does so ordain cannot be gainsaid or denied. That such is the effect and purpose of the act in controversy was not disputed by the able Attorney General of the State on the argument of this cause. That the transportation of such articles of personal property from one State to another for the purpose of barter, sale and delivery, constitutes not only commerce among the States of this country, but a very large and important element of such commerce in the magnitude of business transacted and the amounts of money involved, is self-evident. * * *

"Conceding, therefore, to the fullest

extent, the reserve power of the State to provide for the inspection of all such articles and commodities as foodstuffs for man or beast, drugs, medicines, products, compounds, and the like, moving in interstate commerce where inspection thereof is not already provided by national laws, and when, as stated by Mr. Justice Miller, some crucial test is established and may be applied, such as weighing, measuring, analyzing and the like, it is apparent no such standard or test is or can be established under the act in question, but the test to be applied thereunder must and does rest upon evidence taken, examined and weighed. It must be held the subjects of interstate commerce therein sought to be regulated and controlled are not only burdened by the act, but are directly burdened thereby, and that such articles are not the subject of State inspection laws."

Bierman, Josephsohn and Jam —" Accommodated "

An "East Side" Transaction

ON June 25, 1912, one Solomon Jam applied to Frank Gens to advance him $200 upon the security of two notes for $100 each, made by Jam payable to his own order. Gens agreed to advance $200 upon the notes, provided Jam would procure the indorsement upon them of one Max Bierman, a cousin of Jam, who was a responsible merchant having a place of business at 75 Avenue A, New York. Jam returned with the notes indorsed "Max Bierman," whereupon Gens drew a check, dated June 25, 1912, for $200, payable to the order of Max Bierman, and delivered it to Jam. Jam wrote the indorsement of Max Bierman on the check, signed his own indorsement to it, and delivered it to M. Josephsohn, from whom he received $198 in cash.

It was subsequently discovered by Gens, the drawer of the check, that there were two men named Max Bierman, both relatives of Jam, one of whom was engaged in business at 75 Avenue A, and the other was a workingman, with no credit, who resided on East 110th street, and that the one who indorsed the notes for Jam was the Max Bierman of East 110th street. Gens, upon discovering this fact, the same day stopped payment upon his check, and he and his stenographer both testified that, before the check had been cashed with Josephsohn, the stenographer went to Josephsohn, by whom Jam had been previously told by Gens that he might have the check cashed, and warned him not to cash it, as the notes for which it was given were bad. This was denied by Josephsohn, who swore that he received no notice of the infirmity of the check, either from Gens or his stenographer.

As a further defense to the check, however, it was shown that on July 8, 1912, Jam, having been pressed for payment by Josephsohn, paid him $50 on account of the check, and made and executed to Josephsohn a bill of sale, absolute upon its face, by which Jam sold to Josephsohn for $150 his cloakshop at 317 Canal street, including his stock of braids and buttons, five Singer sewing machines, and two book accounts due him, aggregating $100. It was further proved that Jam had paid an additional $60 on account of the note to Josephsohn since the commencement of the action.

In passing judgment upon this state of facts, the court said: "It is undisputed that Jam obtained the check from Gens by false pretenses, and that the consideration for which Gens intended to sign it, namely, two notes indorsed by Max Bierman of 75 Avenue A, never actually passed to Gens. The entire transaction was, therefore, for the accommodation of Jam, and as between the various parties to the instrument, except the holder in due course, there was no liability whatever in Gens. The party actually primarily liable was Jam, and payment

by him would undoubtedly discharge the check as against all parties."

(Josephsohn vs. Gens, 147 N. Y. Supp. 451.)

Paying One Man's Debt With Another's Money

IF John Jones deposits in a bank the money of William Smith, in Jones' name, and he (Jones) owes the bank nothing, and the money remains on deposit without being checked out, the authorities agree that Smith can recover because it is a trust fund, to which the bank can have no right as against Smith. But if Jones deposits money of Smith at a time when Jones' account is overdrawn, and Smith ascertains the fact before there is any change in the circumstances, except the mere credit, which offsets the overdraft, the bank can have no right to the amount of the overdraft, because the money belonged not to its debtor, but to someone else. It allowed the overdraft on the credit of Jones, and not on the expectation of being paid out of someone else's money. Why should Smith be forced to pay Jones' debt? He shouldn't.

"How much more logical," says the court, "to hold that the true owner should recover so long as no equities have arisen in favor of the bank; but he cannot recover when, under all the circumstances of the case—the nature of the fund, lack of knowledge of the true ownership thereof, reliance placed upon the deposit of such funds, change of situation as between the bank and the depositor, such as surrender of evidence of indebtedness—equity and good conscience demand that the bank be absolved from liability to the true owner.

In the case at bar, wheat was delivered to an elevator, placed in a bin by itself, under agreement that the elevator operator should sell for the account of the owner. The wheat was loaded, and sold, being consigned in the name of one Stegner, who was not the owner of the wheat. Stegner drew a draft on consignee, and deposited it in his bank where his account was overdrawn. Credit was given and overdraft made good. Subsequently the balance was checked out. Suit was brought by the owner of the wheat and judgment given him for the amount of the draft less the amount checked out after the deposit, and before notice to the bank. (See Shotwell vs. Sioux Falls Savings Bank in this issue.)

Money Has no Earmarks

THE courts have uniformly recognized a difference between personal property other than money, and cash. Ordinarily the ownership of a chattel follows the chattel even in the hands of innocent third parties. If a watch be stolen and sold, the buyer gets no title; but if money is stolen and transferred, the title is good, because money has no earmarks.

In the American decision which, perhaps, more than any other, has been cited in the courts of this country, in this respect, it is said: "It is absolutely necessary for practical business transactions that the payee of money in due course of business shall not be put upon inquiry at his peril as to the title of the payor. Money has no earmark. The purchaser of a chattel or chose in action may, by inquiry, in most cases, ascertain the right of the person from whom he takes the title. But it is generally impracticable to trace the source from which the possessor has derived money. It would introduce great confusion into commercial dealings if the creditor who received money in payment of a debt is subject to the risk of accounting therefor to a third person who may be able to show that the debtor obtained it from him by fraud or felony. The law wisely, from considerations of public policy and convenience, and to give security and certainty to business

transactions, adjudges that the possession of money rests the title in the holder as to third persons dealing with him, and receiving it in due course of business and in good faith upon valid consideration. If the consideration is good as between the parties, it is good as to all the world." (See Shotwell vs. Sioux Falls Savings Bank in this issue.)

Deposits of Funds Belonging to Another in Depositor's Name

SOUTH DAKOTA

Liability of Bank for Deposit of Funds Belonging to One Person to the Account of Another—Overdraft

Supreme Court of South Dakota, May 18, 1914

SHOTWELL VS. SIOUX FALLS SAVINGS BANK

The owner of grain deposited it in a grain elevator, and made agreement that the grain should be sold. The operator shipped the grain and took out bill of lading in his own name. The draft was deposited to operator's account, which was at the time overdrawn. *Held,* that the bank was liable to the owner of the grain for the amount of deposit, less the amount paid out on checks of operator, before notice by the owner of his claim to the deposit; but as against the owner, the bank is not entitled to a deduction for overdraft allowed before deposit of the draft.

STATEMENT OF FACT

ACTION by E. M. Shotwell against the Sioux Falls Savings Bank. From a judgment for defendant, plaintiff appeals. Reversed, with directions to enter judgment for plaintiff.

In August, 1912, plaintiff delivered to one Stegner, the operator of a grain elevator, about a carload of wheat belonging to plaintiff. The wheat was delivered to Stegner at the elevator, but was placed in a bin by itself, and kept separate from other wheat. This wheat was not purchased by Stegner, and the agreement between him and plaintiff was that he should ship and sell the wheat for plaintiff. Plaintiff testified that it was expressly understood that the wheat was to be shipped in his name; while Stegner testified that nothing was said as to whose name the grain should be shipped in. Stegner loaded the wheat into a car, and, by a bill of lading in which he was named as consignor, consigned the same to a commission firm at Minneapolis.

Upon receiving the bill of lading from the railroad company, Stegner, on August 26th, went to defendant, with whom he had a general banking account, and drew a sight draft for $500 on the commission firm. At the time the draft was drawn, it, with the bill of lading, was delivered to defendant bank for deposit, and the bank, at Stegner's request, credited Stegner's general banking account with the amount of such draft. The sight draft, with bill of lading attached, was immediately forwarded by defendant to its Minneapolis correspondent, by whom it was credited to defendant. Upon presentation to the commission firm, the draft was honored.

At the time defendant gave Stegner credit for the amount of the sight draft, his general bank account was overdrawn to the amount of $346.65. Defendant, by balancing Stegner's account, immediately applied $346.65 of said $500 to the payment and satisfaction of said overdraft. Between August 26th and September 11th following, Stegner issued checks, in favor of third parties, against his account, sufficient to exhaust the remainder of said $500 deposit.

On September 11th defendant's account with Stegner was balanced and closed. On September 23d plaintiff served the following notice on defendant: "To the Sioux Falls Savings Bank: On August 24, 1912, Geo. A. Stegner, of Sioux Falls, drew a draft for $500.00 on Woodward & Company, a grain commission house of Minneap-

olis, Minn., to apply on the proceeds of the sale of a carload of wheat shipped by him, in his name, to Woodward & Company, * * * the bill of lading for the same being attached to the draft, and deposited such draft with you. I am informed that Woodward & Company sold said carload of wheat and from the proceeds thereof paid you the amount of this draft, viz., $500.00, and that you have credited the same to Mr. Stegner's personal account with you.

"The wheat so shipped by Mr. Stegner to Woodward & Company, and on account of which he drew said draft, belonged to me, and he was not authorized either to ship or sell the same in his own name, but was to ship said wheat to Woodward & Company in my name to sell for me and on my account. The amount received by you from Woodward & Company on said draft belongs to me, and I hereby demand that you account to me for the amount so received by you and pay the same to me. E. M. Shotwell."

Defendant having refused to account for any part of the proceeds of said wheat, plaintiff instituted this suit. In his complaint plaintiff alleged, in substance, facts as above set forth and prayed judgment; that he be adjudged to be the owner of the $500 draft and the moneys received in payment thereof; that defendant be required to account to him for such moneys; and that he recover from defendant the sum of $500, and interest from September 23, 1912, the date of the demand. At the trial this last prayer was modified, and plaintiff asked judgment for $285.60, and interest, being the $500 less $214.40 that it was shown had been paid out by defendant on Stegner's checks after the deposit of the $500, and prior to the notice. At the close of the evidence, both parties moved for directed verdict. By consent of parties the case was withdrawn from the jury and submitted to the court for determination, findings of fact being waived. The court rendered decision and judgment in favor of defendant, and refused a new trial. Plaintiff appeals from the judgment and order denying a new trial, and assigns insufficiency of the evidence to justify the decision and judgment, and error of the court, in not directing a verdict for plaintiff.

OPINION OF THE COURT (IN PART)

WHITING, J.: Upon this appeal, every issue of fact must be determined in favor of respondent; hence we must presume that the trial court found that nothing was said between respondent and Stegner concerning whose name the grain should be shipped in. Furthermore, if material hereto, we must presume that the trial court found, and rightfully, that Stegner was conducting such a business that, when appellant left his wheat with him, he clothed him with the external indicia of right to sell same, and therefore to pledge it. Nevertheless as between appellant and Stegner the grain and the proceeds thereof remained the property of appellant, and respondent should not be allowed to defend against appellant's claims to such proceeds, except to the extent that respondent has parted with value on the strength of Stegner's apparent authority to sell the grain, and therefore to pledge the bill of lading, unless the facts of this case take it out of the rules governing the passing of title to personal property, and bring it under some exception applicable only to cash and other recognized mediums of exchange. Saltus vs. Everett, 20 Wend. (N. Y.) 267; Fawcett vs. Osborn, 32 Ill. 411.

Respondent claims that, when a bank, without notice of the trust character thereof, takes from a trustee, for deposit to the trustee's personal account, cash or other recognized medium of exchange, it can credit such deposit against such trustee's overdraft, and defend against any action by the cestui que trust to recover such trust fund, though, as against such cestui que trust, the deposit was wholly unauthorized and therefore wrongful. Ap-

pellant contends for the rule contended for by Bolles in Modern Law of Banking, 501, where the author says: "Why should not the bank be required to refund to the rightful owner in all cases wherein its situation would not be worse than it was before receiving payment? No rule is better established than this: That trust funds do not lose their character by reason of depositing them to the individual account of the depositor. If, therefore, they still possess this character, why should they not be recovered, provided they can still be traced, regardless of their possessor?"

It must be admitted that the courts have uniformly recognized a difference between ordinary personal property and cash or other recognized medium of exchange when considering the question of how far the true owner of property can pursue the same or its proceeds, where such property or proceeds has passed into the hands of innocent third persons through the wrongful act of a trustee of such property. In the American decision which perhaps more than any other has been cited and quoted from in the courts of this country it is said: "It is absolutely necessary for practical business transactions that the payee of money in due course of business shall not be put upon inquiry at his peril as to the title of the payor. Money has no earmark. The purchaser of a chattel or a chose in action may, by inquiry, in most cases, ascertain the right of the person from whom he takes the title. But it is generally impracticable to trace the source from which the possessor of money has derived it.

"It would introduce great confusion into commercial dealings if the creditor who received money in payment of a debt is subject to the risk of accounting therefor to a third person who may be able to show that the debtor obtained it from him by felony or fraud. The law wisely, from considerations of public policy and convenience, and to give security and certainty to business transactions, adjudges that the possession of money vests the title in the holder as to third persons dealing with him and receiving it in due course of business and in good faith upon a valid consideration. If the consideration is good as between the parties, it is good as to all the world. 'Money,' said Lord Mansfield, in Miller vs. Race, before cited, 'shall never be followed into the hands of a person who bona fide took it in the course of currency and in the way of his business.'" Stephens vs. Board of Education, 79 N. Y. 183, 35 Am. Rep. 511.

Pomeroy, in commenting upon the distinction between money and other property as recognized in the decisions following the holding in the Stephens Case, announces, as the sole reason for this distinction, the fact that money is not "earmarked."

The courts should not be unmindful of the necessities of business, and we have no fault to find with the rule announced in the Stephens Case, provided that, in applying such rule, courts will not refuse to shut their eyes to the clear equities of the particular case, and will insist on such rule being subject to that other well-established and most just rule, recognized by this court in Finch et al. vs. Park, 12 S. D. 63, and which is so clearly set forth in Brand & Company vs. Williams, 29 Minn. 238, 13 N. W. 42, wherein the court, through Justice Mitchell, said: "An action for money had and received can be maintained whenever one man has received or obtained the possession of the money of another, which he ought in equity and good conscience to pay over. This proposition is elementary. There need be no privity betwen the parties, or any promise to pay, other than that which results or is implied from one man's having another's money, which he has no right conscientiously to retain. In such case the equitable principle upon which the action is founded implies the contract and the promise. When the fact is proved that he has the money, if he cannot show a legal or equitable ground for retaining it, the law creates the privity and the prom-

ise. 2 Chitty, Cont. (11th Am. Ed.) 899; Mason vs. Waite, 1 Mass. 560; Hall vs. Marston, 17 Mass. 574; Knapp vs. Hobbs, 50 N. H. 476; Eagle Bank vs. Smith, 5 Conn. 71. It is not necessary that the defendant should have accepted the money under an agreement to hold it for the benefit of the plaintiff, or that the party from whom he received it intended it for the plaintiff's benefit."

We concede that a bank has a lien upon deposits and other property coming into its hands to secure overdrafts and debts owing from the depositors; that courts are justified, upon slight evidence, in holding that a party, by depositing funds or other property with the bank, authorizes the application of such funds or property to any overdraft or other indebtedness due from him to the bank; that, in the case of money or other circulating medium, neither a bank nor an individual should be compelled to take it at the same risk and peril that it would other personal property; that one should not be put upon inquiry to ascertain the true ownership of a fund of such character, where there is nothing to fairly give notice of the source from which the fund was received, or that the fund does not belong to the depositor or payer; and that, where a bank has innocently taken from one not the true owner thereof money, drafts, or checks, and applied the same upon a debt or overdraft, and, relying upon such deposit and application thereof, has placed itself in a position where it would be inequitable to require it to account to the true owner of the fund, the bank should not be holden to the true owner of such fund.

We deny that there is any recognized principle of law, or even any reason founded upon that necessity which is said to know no law, that will sustain either the justice or necessity of holding that, when a fund, even though it consists of money, can be fully and clearly traced into the hands of one who has neither paid a valuable consideration therefor nor changed his relation to the person from whom the fund was received so as to give rise to any equitable defense against the claims of the true owner of such fund —when one man has money which in equity and good conscience belongs to another—such fund should not be recovered by the equitable owner thereof.

Applying, without limitation, the rule contended for by respondent would permit a bank to retain, as against the true owner, money procured through highway robbery, and deposited by the robber to meet an overdraft; a case where, upon the one side, the money is procured through no confidence or trust placed in the wrongdoer, while, upon the other side, the money is received from the wrongdoer whom the bank has allowed to become indebted to it; not a case where the law must determine as between two persons who have placed confidence in a third, and where it might be said that he who confided most must suffer. We refuse to adopt any rule that must lead to such results.

A deposits in a bank the money of C, making the deposit in his own name. A owes the bank nothing, and the money remains on deposit without being checked out. The authorities agree that C can recover this money from the bank. And why? Because it is a trust fund *belonging to C,* and in and to which the bank can have no rightful claim as against C. Under those facts, no suggestion is made that that money has no earmarks.

A goes to the bank with C's money, and deposits it at a time when his account at the bank is overdrawn. C ascertains where his money has gone, and, before there has been any change of circumstances, except the mere crediting of A's account with the amount deposited, demands the money. Upon what possible rule of equity or why, as a matter of good conscience between C and the bank, or upon what rule of business necessity, should the bank retain this money from C? Absolutely none. The bank had no right, legally or equitably, to be paid out of this or any other fund not belonging to A. It allowed the overdraft relying upon

the confidence it had in A, and not in reliance upon any expectation that A would pay such overdraft out of some third party's money. It did not change its position to its detriment. Why should C be, against his will, forced to pay A's debt to the bank, and this inequitable ruling be placed on the ground either of necessity, or that other equally unsatisfactory ground that money has no earmarks?

How much more logical it would be to hold that the true owner should recover so long as no equities have arisen in favor of the bank, but that he cannot recover when, under all the circumstances surrounding the case—the nature of the fund, lack of knowledge of the true ownership thereof, reliance placed upon the deposit of such funds, change of situation as between the bank and the depositor, such as surrender of evidence of indebtedness—equity and good conscience demand that the bank be absolved from liability to the true owner.

There is no difference between the above illustration and the case before us. When Stegner overdrew his account, it was by permission of respondent, which, to the extent of the overdraft and upon the faith it had in Stegner, allowed him to become indebted to it; it did not and could not rightfully allow an overdraft in the hope and upon the strength that Stegner would pay the same out of *anyone's funds but his own.*

When Stegner made the deposit, by necessary implication, he authorized the bank to apply such deposit upon his overdraft; but the bank had, as against appellant, neither a legal nor an equitable right to this money; when it took it and, in ignorance of its true ownership, credited Stegner's account therewith and honored checks against it, it put itself in a position where, to the amount of such checks, it would be inequitable and unjust, in view of the necessities of business, to compel it to restore the fund to appellant, and he must suffer such loss.

While the very nature of the trust fund deposited and the necessities of commerce did, under the facts of this case, in equity and good conscience, excuse respondent from any duty of attempting to trace the ownership of the draft and of the car of wheat, yet it must be borne in mind that, to the extent of the amount which appellant seeks to recover, respondent never changed its position for the worse, so far as any evidence shows. It credited Stegner's account with the amount of the draft, but it did not, by so doing, lose any right of action against Stegner for the amount of such overdraft, as Stegner could not claim a payment by this draft. Therefore no necessity of commerce required or justified the bank in refusing to pay over to appellant the amount of such draft, less checks paid after the deposit. * * *

Upon both reason and authority the judgment of the trial court should be, and is, reversed, and such court is directed to enter judgment for $285.60, and interest at 7 per cent. from September 23, 1912, together with costs. (147 N. W. Rep. 288.)

Receipt of Check in Due Course of the Mails

NORTH CAROLINA

Evidence Tending to Show the Receipt of a Check in Due Course Through the Operation of the Mails—Liability of Bank on Check Drawn on It

Supreme Court of North Carolina, June 1, 1914

STANDARD TRUST COMPANY OF NEW YORK VS. COMMERCIAL NATIONAL BANK

ACTION by the Standard Trust Company of New York and others against the Commercial National Bank. From a judgment of nonsuit, plaintiffs appeal. Reversed and remanded.

STATEMENT OF FACT

THIS action was brought to recover the amount of a check drawn by Sol N. Cone, at Greensboro, N. C., on October 4, 1910, in favor of Latham, Alexander & Company, of the city of New York, for $5,000. The check was received in due time by the payee, indorsed to and deposited with the plaintiff, Standard Trust Company, to the credit of said payee, who immediately drew it out by checks against the amount so placed to its credit as a cash item; this being in accordance with an understanding previously existing between Latham, Alexander & Company and the plaintiff. Latham, Alexander & Company did business with the Standard Trust Company under such circumstances as that all checks deposited by them were treated as cash items: i. e., they could immediately draw against them.

The check was, on the same day, October 5th, after having been indorsed, "Pay to the order of Girard Trust Company, Philadelphia," by the Standard Trust Company of New York, mailed to the Girard Trust Company for "collection and credit." On October 6th the Girard Trust Company received this check, and after indorsing on it, "Pay to the Central National Bank. Prior Indorsements Guaranteed. October 6, 1910"—sent it by hand to the Central National Bank of Philadelphia, which bank received it on October 6th, between the hours of 9 and 3.

After indorsing it "Pay to the order of any bank, banker or trust company. Prior indorsements guaranteed, October 6, 1910"—it was mailed on October 6th to the defendant bank at Greensboro for "collection and remittance"; the hour of mailing being about 5 p. m. The indorsements were all regular and in proper form.

According to the due course of the mails, a letter mailed in Philadelphia at or about 5 p. m., October 6, 1910, would leave Philadelphia on the Pennsylvania Railroad train No. 55, arriving at Washington, D. C. at 3.40 a. m., the 7th, and would come out of Washington to Greensboro on the Southern Railway train No. 35, leaving Washington at 9 a. m., and arriving at Greensboro at about 6 p. m., the 7th. On the dates in question the regular mail connections were made, Southern 35 reaching Greensboro on the 7th at 6.24 p. m. So, according to the due course of the mails and the business of the defendant bank, this check arrived in Greensboro on the evening of October 7th, should have been and was in the bank to be handled by its cashier shortly after 8 o'clock on the morning of October 8th.

At the opening of the bank on that morning Sol N. Cone, the drawer of the check, had to his credit $19,432.52. The 8th was Saturday. Some time between 7 and 9 o'clock on the 8th Cone attempted to commit suicide. He was then owing the defendant bank a note of $10,000. His attempt at suicide led to inquiry, which disclosed his insolvency. On October 10th (Monday), after having ascertained Cone's financial condition, the defendant charged against his account the note of $10,000 due it. His deposit at the opening of the bank on the 10th was the same as it was on Saturday, to wit, $19,432.52. After charging this $10,000 against his account, the defendant bank, through its cashier, Boyles, presented the check to itself and duly protested it for nonpayment, because of an alleged insufficiency of funds, and returned it to the Central National Bank of Philadelphia by mail, where it was received on October 11th.

The defendant denied the receipt of the check on the 8th, but admits it was found in its mail and was in its possession on the 10th, which admission, taken in the light of the surrounding circumstances put it in its hands, to its knowledge, before the opening of the bank. There appears a second series of indorsements upon the check, which are thus accounted for: Upon its return to plaintiff, in New York, on the 13th, it was immediately sent back to Greensboro,

through the Philadelphia banks; it being sent this last time, however, to the American Exchange Bank, instead of direct to defendant, upon which it was drawn. The facts in connection with this second series of indorsements are not now pertinent, further than they tend to corroborate and sustain plaintiff's contention as to the usual course of the mails, and the receipt of the check, on its first trip, the morning of the 8th, rather than the 10th, according to the contention of the defendant.

The court, at the close of the plaintiff's testimony, entered judgment of non-suit, and the latter appealed.

OPINION OF THE COURT

WALKER, J.: * * *We find this statement in the brief of plaintiff's counsel: * * *

Sec. 5. In answer to the allegations ot article five of the complaint, the defendant avers that the check therein referred to was found by the defendant in its mail on the morning of the 10th of October—he would have submitted to the jury for their determination the question whether the check arrived on the 8th or later; his view being that, by introducing the above-quoted declaration of the defendant, the presumption of receipt in due course of mails was met and rebutted as a matter of law. In other words, that the plaintiff offered, as a part of its evidence, testimony which disclosed, as a fact, the date of its receipt. With respect to the contention that, even if the check was not in hand until the 10th, the plaintiff was entitled to recover because it had brought itself into such relationship with the defendant, by mailing it the check for collection, as to place the defendant under a duty to look after the interests of the plaintiff, and that duty was such as to prevent it from preferring itself, the judge made no affirmative statement as to his reasons for the nonsuit.

If the presiding judge was of the opinion that the statement in the fifth section of defendant's answer, even though it was introduced as evidence by the plaintiff, conclusively rebutted the prima facie presumption raised by the law, that the check had been received by the defendant on Saturday, the 8th day of October, 1910, it was an erroneous view to take of the legal effect of that evidence.

When evidence is introduced showing that a letter has been "mailed," this established prima facie that it was received by the addressee in the usual course of the mails, and his business, and, when the latter introduces evidence that it was not in fact received, or not received at the time alleged, such testimony simply raises a conflict of evidence, on which it is the exclusive province of the jury to pass. In other words, the presumption of fact arising from the proof that the letter was mailed, together with the proof as to the schedule of the mails, and the course of the business of the addressee, are circumstances, when met by a denial of its receipt in due course, to be weighed by the jury with *all* the other evidence in determining the question whether the letter was actually received, and as to the time of its receipt, and the fact that plaintiff introduced the rebutting evidence does not alter the case. He is not concluded thereby, but may show that the fact is otherwise, as a party is not always bound by the statement of his own witness. We said in Model Mill Company vs. Webb, 164 N. C. 87, 80 S. E. 232:

The City National Bank, it appears, mailed the letter with the draft and bill of lading to the defendant bank. This was evidence of its receipt by the latter, and raised a rebutable presumption of the fact to be submitted to the jury, along with any evidence in the case tending to show that it was or was not in fact received. This is said to be founded upon another presumption, that officers of the post office department will do their duty, or upon the better reason, the regularity and certainty with which, according to common experience, the mail is carried. It is, at least, evidence from which the jury may reasonably infer the fact that the mail matter was received in due course of transmission and delivery—citing 16 Cyc. 1065; Bragow vs. Supreme Lodge, 124 N. C. 154, 32 S. E. 544; Coile vs. Order of Commercial Travelers, 161 N. C. 104, 76 S. E. 622, and other cases.

Plaintiff asserts ownership of the check by reason of its dealings with

Latham, Alexander & Company, and, without discussing this phase of the case, we merely state that the facts, as now presented, sustain the contention. This being so, it claims the right to recover upon the check on either one of two grounds, which are thus set forth in the brief of its counsel:

If, as a fact, the check was in defendant bank on the morning of the 8th, then plaintiff would be entitled to a verdict upon these grounds: (1) Because it was held without action by the defendant for more than 24 hours, as it was not protested until after banking hours on the 10th, the effect of which would be to work an acceptance of the check by the defendant, so as to make it liable on the check for its face; and (2) the defendant failed in its duty as collecting agent to promptly present for payment and pay the check, or to promptly return it, as a result of which it became liable in tort for damages which, under the facts of this particular case, would be the face of the check; it appearing that Latham, Alexander & Company, the payee in the check, and the person who deposited it with the plaintiff, received cash on it, and went into bankruptcy soon thereafter, never having had on deposit at any time after the 5th of October, with the plaintiffs, any funds out of which the check could be realized, so that plaintiff has lost the amount of the check, as Sol N. Cone is insolvent.

A check is a bill of exchange, and may more particularly be defined as a written order on a bank or banker, purporting to be drawn against a deposit of funds, for the payment, at all events, of a sum of money to a certain person therein named, or to him or his order, or to bearer, and payable on demand. Norton on Bills and Notes, 404; Revisal, § 2335. It will be convenient here, without further and immediate discussion of the nature and qualities of a check, to note the sections of our Negotiable Instruments Act, which may have application to the questions raised in the record, and which are contained in Revisal, c. 54.

Sec. 2237. Where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for an account of the principal debtor therein.

Sec. 2276. A bill of exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money to order or to bearer.

Sec. 2277. A bill of itself does not operate as an assignment of the funds in the hands of the drawee available for the payment thereof, and the drawee is not liable on the bill unless and until he accepts the same.

Sec. 2286. The drawee is allowed twenty-four hours after the presentment in which to decide whether or not he will accept the bill, but the acceptance, if given, dates as of the day of presentation.

Sec. 2287. Where a drawee to whom a bill is delivered for acceptance destroys the same or refuses within twenty-four hours after such delivery, or within such other period as the holder may allow, to return the bill accepted or nonaccepted to the holder, he will be deemed to have accepted the same.

Sec. 2335. A check is a bill of exchange drawn on a bank payable on demand. Except as herein otherwise provided the provisions of this chapter that are applicable to a bill of exchange payable on demand apply to a check.

Sec. 2336. A check must be presented for payment within a reasonable time after its issue or the drawer will be discharged from liability thereon to the extent of the loss caused by the delay.

Sec. 2339. A check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank, and the bank is not liable to the holder unless and until it accepts or certifies the check.

Having these sections of the act before us, we can better understand the positions of the plaintiff as to the liability of the defendant upon this check. We have held that, where a bank has refused to pay a check, the holder has no cause of action thereon against the bank, but must seek his remedy against the drawer; the bank being liable only to the drawer for its breach of promise to pay the check, there being an implied promise by the bank, arising from the deposit of his funds with it, that it will pay his checks when and as they are presented. If the bank fails to perform this promise, it becomes liable to the drawer for the damages sustained by him on account of its refusal or failure to pay his check.

But the holder of the check can only sue the drawer, and cannot sue the bank. The reason why the holder

of the check is not permitted to sue the bank has been stated by the authorities to be that there is no penalty between the holder and the bank until, by certification of the check or the acceptance thereof, express or implied, or by any other act or conduct, it has made itself directly liable to the holder. * * * Notwithstanding these principles have been recognized, there are courts which hold, in well-considered opinions, that the bank should be held liable directly to the holder, if it is notified that he has the check, or demand for its payment is made upon it, and it then has sufficient clear and unincumbered funds to the credit of the drawer with which to pay the check without any risk or embarrassment to itself. 2 Morse on Banks and Banking (4th Ed.) §§ 496, 497, 499, et. seq.; Norton on Bills and Notes, p. 418, and note 50, and cases cited; 2 Daniel's Neg. Instr. (6th Ed. by Calvert) §§ 1637, 1638, 1648, and notes. At section 1638 and note 50, Daniel quotes from Morse on Banks and Banking as follows:

> It is true—and it is all that the cited cases decide—that before demand for payment no assignment exists, no obligation has been created, no privity has grown up, and the very right of the bank to pay may be taken away by any one of a great number of occurrences. But the act of presentment and demand, made before any one of these occurrences has taken place, is the act which creates at once, by usage of business and understanding of all concerned, the obligation, the privity, and the appropriation or, at least, the right to claim an appropriation.

There is also strong and persuasive, if not convincing, authority for the position (Wisner vs. Bank, 220 Pa. 21) that under sections similar to 2286 and 2335 of our Negotiable Instruments Act, as above set out by us, if a bank retains a check more than 24 hours after it has been presented for payment, it thereby impliedly accepts it, and becomes liable, on this acceptance to the holder of the check. The argument is that by section 2335 a check is defined to be a bill of exchange drawn on a bank, and payable on demand, and, except as in said act otherwise provided, the provisions of the act applicable to bills of exchange payable on demand shall apply also to a check, and that, it being nowhere in said act otherwise provided, the deduction is made that section 2286 applies to a check, and therefore, if the latter is held more than the 24 hours after presentment to the bank for payment, it will constitute an implied acceptance, and that, so far as the liability of the bank to the holder is concerned, an implied acceptance of the check is as good as one expressed by a writing thereon. The further contention is made, in aid of this reasoning, that by section 2339 of the act it recognized that a check may be the subject of acceptance, just like an ordinary bill of exchange, as well as of certification, for that section provides that:

"A check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank, and the bank is not liable to the holder unless and until it *accepts* or certifies the check." (Italics ours.)

This view is ably considered and held to be sound in Wisner vs. First National Bank of Gallitzin, 220 Pa. 21.

We need not accept either of these views, or consider the legal effect of the mere presentment of the check, for we think that in this case there is evidence for the jury tending to show a constructive or implied acceptance of the check or bill by the bank, within the rule laid down by this court in Bank vs. Kenan, 76 N. C. 340. It is true that the facts of the two cases are not, in all respects, alike, but are sufficiently so to authorize a jury, as the evidence now appears, to draw an inference in regard to acceptance adverse to the defendant. We have said that the facts in this case are not precisely like those in Bank vs. Kenan; but they are alike in all essential particulars. There is one respect in which those in this case are more favorable to the plaintiff, and that is the conceded fact that Sol N. Cone was in a

hopelessly insolvent condition, and this should have aroused the bank to a greater sense of its duty and responsibility to the plaintiff. It should, therefore, have acted with promptness. It had undertaken to act as agent to present and collect the check, and this increased its obligation to the holder of the check, as it thus occupied a fiduciary relation, being also drawee.

It is not frank in averring the time when it actually received the check, but is content with the bare statement that it was "found in its mail" on Monday, October 10, 1910, when the presumption is that it was in the hands of its officers on the Saturday before, or on October 8, 1910. The fact that it was *found* in the mail on the 10th does not prove conclusively that it did not arrive on the Saturday before. It was a fact within its knowledge when it was received; but it preferred to leave it in doubt, instead of candidly stating whether it arrived on Saturday or on Monday.

It may have thought that, if it came on Saturday, it might more surely fix its liability, and for this reason preferred to leave the matter in doubt, or to avail itself of the implied suggestion that, as it was found in the mail on Monday, it was received on that day. It was within its ability to make this matter clear, and it should have done so. The fact was peculiarly within its knowledge, and its failure to make the truth in regard to it clearly appear is a circumstance against it. Powell vs. Strickland, 163 N. C. 402.

The defendant denies the agency in its answer; but there is evidence of it in the fact that it acted as such on Monday by presenting the check for payment, and, upon its own refusal to pay it, having it protested. Now, this was done—holding the check over from Saturday, as the jury may have found—when it had to the credit of the drawer a fund far in excess of the amount named in the check. Speaking in round numbers, there was to his credit on Saturday morning, at the opening of the bank, $19,400 and the same amount on Monday. When it received the check and assumed to act as agent in collecting it, the first step it took was to take care of its own interests by charging a note of $10,000 it held against Cone to his account, still leaving a balance of $9,400 to his credit, which was far more than sufficient to pay the check.

It avers in its answer that out of the said balance of $9,400 it paid other checks of Cone drawn on it, which were presented before the check in suit, and upon the principle of "first come, first served"; it was entitled to do so, but of this there was no evidence, and, if there were any, it would be for the jury, and not for the court to pass upon. But even this averment seems to be based upon its statement in the answer, put in evidence by the plaintiff, that the check was "found" in its mail on Monday; whereas, we must proceed upon the assumption of the *fact* that it was received on Saturday, as we are dealing with a non-suit, and all evidence is to be regarded favorably for the plaintiff, and every fact which it reasonably tends to prove must be taken to be established.

It may be that other checks of Cone came into the bank on Monday before the check in suit was found, and for that reason were paid first; but if the $5,000 check was received Saturday, and the other checks Monday, the miller's rule set up by the defendant would not apply. Was the defendant, therefore, as agent and drawee, acting in good faith with the plaintiff in handling its check? As the evidence is now to be considered by us, the jury might well have found, if the case had been submitted to them, that it was not, and if the facts are not, as the jury could find them to be upon this evidence, it is defendant's misfortune that the case stopped short of full proof on both sides. * * *

It may be, when the evidence is fully developed, that it will present a very different aspect from that now in the record, and we may not be required to give it the same kind of construction as we are bound to do upon

a non-suit. The plaintiff, in that event, will have to take and carry the burden of the issue and prove its case by a preponderance of the evidence, and the jury will find the facts and apply the law under instructions from the court. The defendant may be able to shew clearly, or at least to have the jury find, that it has fully discharged its duty to the plaintiff, that it received the check on Monday, retained enough out of the funds of Cone then in the bank to pay his $10,000 note held by it, applied the balance pro tanto to other checks presented before the plaintiff's, and, when the latter was received, there were not sufficient funds in hand to pay it, which would assuredly present a much stronger case for it. As to plaintiffs being the owner of the check, we are of the opinion that, as the evidence is now stated, there is sufficient to warrant a finding by the jury on that question in favor of the plaintiff; but it may be presented in a stronger light hereafter.

We have not gone fully into a discussion of the evidence as to either question, lest we might thereby prejudice one or the other party at the next trial. When all the facts are before us, we may then more clearly define the rights of the parties and declare for or against the liability of the defendant on the check.

The non-suit will be set aside, and a new trial given.

New trial.

(81 S. E. Rep. 1074.)

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

SIGNATURE OF NATIONAL BANK NOTES

HELENA, MONTANA, Sept. 24, 1914.

Editor Bankers Magazine:

SIR: May the circulating notes issued by national banks be signed by an acting cashier or by an assistant cashier?

NATIONAL BANKER.

Answer: No; see Section 5172, Revised Statutes of the United States, which provides that said notes "shall also express upon their face the promise of the association receiving the same to pay on demand, attested by the signatures of the president or vice-president and cashier."

PROFIT ON A BANK BALANCE

EL PASO, TEXAS, October 8, 1914.

Editor Bankers Magazine:

SIR: I would appreciate it if you would tell me how to compute the profit or loss on an account that runs as follows: Credit balance negligible, say, average $200 or $300; borrowings on demand, about $30,000. Deposits consist of items on more or less remote points. In other words, indebtedness is kept down or covered by these bill of lading drafts drawn on small points for carloads of grain.

Thanking you in anticipation of a reply, I am,

Sincerely yours,

ASSISTANT CASHIER.

Answer: In attempting to analyze an account showing a negligible balance of $200 or $300 with a large borrowing capacity of $30,000, it would perhaps be well because of the disproportion of the balance to the amount of the loan, to consider the analysis of the balance itself, and the earning power of the loan separately, arriving at a true perspective by a comparison of the cost of carrying the balance account, in this case which has relatively no loanable balance, and the earnings made on the loan.

The cost of carrying the balance, or in other words, the administration of the account, is very easily figured out. Dividing the total of all expenses by the gross average dollars of deposit will give the approximate cost or percentage for handling each dollar of deposits. It is assumed in this case that the number of items handled daily, or any other of the general labor costs, would not be sufficient to warrant considering separately, as would be the case in a large reserve city bank acting as clearing-house center

for country banks and large corporations.

A brief outline of the form used to analyze the above-described account would be as follows:

Average balance	$200.00
Less average amount uncollected in transit	100.00
	$100.00
Less nominal reserve, 10%........	15.00
	$90.00
Average rate of interest earned on loans, 5%	4.50
Exchange received, say $5.........	5.00
Total earnings on account.......	$9.50
Proportionate general expense of handling acct., $200, say at 3%..	$6.00
Exchange paid on cost of collections	$3.00
	$9.00
Profit on account.................	.50
	$9.50

The above analysis, although not complete in all details, shows that the account barely pays for carrying itself. If there were a number of outstanding bills of lading drafts, or any other special cost feature, a further allowance should be made to show whether or not such transactions were profitable.

The important issue, however, in this class of an account would be the rate at which the $30,000 was loaned; and if such rate was considerable over the percentage of general operating cost, the account should show a fair margin of profit.

New Labor Decree in Mexico

THE United States consul at San Luis Potosi furnishes the subjoined information, which does not relate to banking and finance, but is nevertheless of considerable interest and importance:

"A decree issued under date of September 15, 1914, by Governor Eulalio Gutierrez, fixes the minimum wage in the State of San Luis Potosi at seventy-five centavos per day, to be paid in cash, which at the ruling rate of exchange is equivalent to about twenty-one cents United States currency. In mines the minimum wage is fixed at 1.25 pesos, or about thirty-five cents United States currency. The nine-hour day is also decreed. Employers who have been paying more than the minimum are forbidden to reduce wages to the minimum. Workers on farms must be supplied free water, wood and shelter. By the same decree company stores are abolished. All debts contracted by laborers to employers expire by limitation in one year. Employers are prohibited from placing any obstacle in the way of laborers who desire to change their place of employment or to accept other employment. The wages of laborers are exempted from garnishment.

"The decree provides that a landowner who furnishes to the tenant the land, implements, animals and seed shall not collect more than twenty-five per cent. of the crop for rent and reimbursement, but in cases where he makes these advances and also furnishes water for irrigation he may collect fifty per cent. of the crop. All advances to the tenant must be in cash and must be returned in cash or in grain at the price current in the nearest market.

"Probably the most important article of the decree provides that in view of the exceedingly low wages heretofore prevailing all loans and advances heretofore made and now outstanding against the laborers, must be considered as a voluntary supplement to the inadequate wages and are therefore declared liquidated and canceled."

FESTUS J. WADE

MR. WADE has proposed a plan for forming a bankers' syndicate of $150,000,000 to make loans for carrying the cotton crop.

Mr. Wade is President of the Mercantile Trust Company, and the Mercantile National Bank, St. Louis, and also President of the St. Louis Clearing-House Association.

Banking Publicity

Conducted by **T. D. MacGREGOR**

Advertising for the Times

Banks That are Making the Best of the Situation

IT isn't in every lifetime that such stupendous world events occur as are now happening in Europe. That is our only excuse for again calling attention to the manner in which American bankers in their advertising are taking advantage of the general interest in affairs abroad.

The Federal Title and Trust Company of Beaver Falls, Pa., ran a big newspaper advertisement—about half a page—several weeks ago, part of the copy of which follows:

--To the man or woman who in the troubled times of war desires an absolutely safe investment for their money a savings account at the Federal Title & Trust Company offers an investment which combines safety and profitable returns.

WHERE IS YOUR MONEY?

It's pretty important as to where you keep your money—isn't it?

You want your money where it is absolutely SAFE—where you can get it QUICKLY if you need it—where it does not FLUCTUATE in value—and where you do not have to pay any COMMISSIONS.

There is one place which complies with all of these requirements and that is the Savings Department of The Federal Title & Trust Company of Beaver Falls.

YOUR MONEY HERE IS SAFE

When you keep your money in a Savings Account at The Federal Title & Trust Company of Beaver Falls it is ABSOLUTELY SAFE.

The Federal Title & Trust Company is organized and operating under the Laws of the Commonwealth of Pennsylvania. We are subject—and that also means the money that you have here—to the Banking Department of the Commonwealth of Pennsylvania. Banking Inspectors call here and make an impartial investigation of our affairs. We make sworn statements of our condition to our Banking Department.

Method By Which Burglars Secured $2,000.00

Vault of the Bangor Post-office After the Fire; Everything Destroyed

CUTS USED IN A SAFE DEPOSIT CIRCULAR BY THE OLD COLONY TRUST COMPANY OF BOSTON, PREPARED BY R. REED COPP OF THE ADVERTISING DEPARTMENT

MORE GOOD LOS ANGELES COPY

While back of you are our Resources of nearly a Million Dollars.

No Stock or Bond that you may select for investment has back of it the Banking Department of the Commonwealth of Pennsylvania. You can make no safer INVESTMENT than in a Savings Account at The Federal Title & Trust Company.

YOU CAN GET YOUR MONEY QUICKLY

The money you keep in a Savings Account at The Federal Title & Trust Company is here for you at any time. The money that you invest in Stocks and Bonds often cannot be realized upon at once. You often have to hunt for a market. At times there is no market at all.

But if you keep your money invested in a Savings Account at The Federal Title & Trust Company you do not have to worry about the market.

When you invest in a Savings Account at The Federal Title & Trust Company you have an INVESTMENT you can get promptly. Can this be said of your other investments?

A SAVINGS ACCOUNT HERE IS STABLE

When you keep your money invested in a Savings Account at The Federal Title & Trust Company it is fixed, stable. It does not fluctuate. It does not "see saw." It is always at ALL TIMES worth 100%. It is not affected by Wars. It is not affected by the Stock Markets. It is not affected by Hard Times.

Every Dollar that you invest in a Savings Account at The Federal Title & Trust Company is ALWAYS worth 100 cents. Can you say that of any other form of INVESTMENT?

IT COSTS YOU NOTHING

You do not have to pay any commissions to have a Savings Account at The Federal Title & Trust Company. You do not have to pay any commissions to realize upon it. It costs you nothing to keep a Savings Account with us.

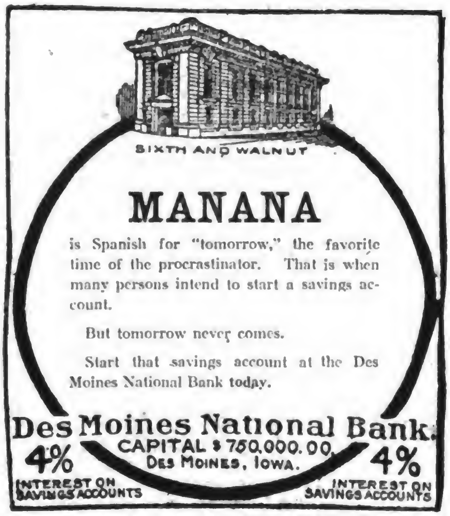
Is there any other form of INVESTMENT where you do not have to pay commissions to acquire it or to sell it?

IT IS A PROFITABLE INVESTMENT

Every Dollar you keep in a Savings Account at The Federal Title & Trust Company earns you 4 per cent. Interest a year. Do you know of any other form of INVESTMENT where you can invest small sums from day to day? You can open an account here with any sum. You can add any sum to it from time to time. And twice a year your interest is compounded for you here.

Is there any other form of INVESTMENT you can make which automatically compounds the Interest for you twice a year?

The Old National Bank of Spokane,



Carlyle Said:

"It's a grand thing for a man to have had a 'sair fecht' in his youth."

This wise Scotchman believed that when a man has a "sore fight" in youth there would be developed in him just the qualities necessary to win success later on. The history of many a savings account in the Illinois National Bank bears strong testimony to the truth of this statement.

The Illinois National Bank
OF PEORIA
UNITED STATES DEPOSITORY

UNUSUAL

Wash., as a folder to give out with its cancelled vouchers when returned to depositors, September 1st, reprinted in attractive form the words of counsel which President Wilson addressed to the American people early in August.

A trust company in Syracuse, N. Y., used the heading "Marooned in Europe" for a trust advertisement, stating that many individual trustees and executors were detained in Europe for weeks, thus jeopardizing the interests in their charge at home. The obvious superiority of a trust company acting in such capacities was thus brought out strongly.

The Corn Exchange National Bank of Philadelphia in its inspiring monthly house organ, "The Advance," contains a lot of "boost stuff" for local and national manufacturing and trade opportunities at this time.

The Reading (Pa.) National Bank advertises:

While the present war has interfered with foreign financial business, communication is still open with England, with those countries on the Continent not engaged in warfare, and with the Orient.

The foreign service of the Reading National Bank, although temporarily interrupted with most of the warring nations, is as complete as possible under present conditions.

Domestic Travelers Cheques, good anywhere in the United States, are issued.

If you have foreign business to transact consult us.

The Merchants National Bank, St. Paul, advertised:

IN EUROPE

savings are being burned up and destroyed at an incredible rate, says "Collier's Week-

Woman's Savings of Many Months Are Lost in Fire

Though flames at 813 Rusk avenue last night only slightly damaged the interior of a room occupied by Mrs. Victoria Francis, a roll of greenbacks containing $175 was destroyed or lost.

Mrs. Francis is head pantry woman at the Rice hotel. The money represented the savings of many months. It was placed between the mattress and sheet of her bed. Firemen entering the room tossed the mattress out of a second-story window. It was not badly burned.—Chronicle, August 24, 1914.

The above is another mute testimonial in favor of depositing your savings with us where

Absolute Safety Is Assured

and 4% Compound Interest is paid semi-annually.

By opening an account you not only eliminate the danger of a recurrence of the above but entirely relieve yourself of the attendant worry when your funds are not in a safe place.

ONE DOLLAR STARTS AN ACCOUNT

HOUSTON NATIONAL EXCHANGE BANK

202 MAIN ST. "Proper Accommodations."

OFFICERS:

HENRY S. FOX, Jr.....President
M. M. GRAVES.....Vice President
M. P. GEISELMAN.....Vice President
F. F. DEARING.....Active Vice President
AUG. De ZAVALA.....Active Vice President and Cashier
MELVIN ROUFF.....Assistant Cashier

TIMELY USE OF NEWS ITEM

ly." We cannot stop that, but for purposes of America's future development, we can and must accumulate savings of our own.

The one universal way in which all can help along prosperity here is by the practice of economy. The Merchants National Bank will protect your savings and pay you interest on them.

The Buy-a-Bale Movement

How a Macon (Ga.) Bank Helps It Along

ON September 20th last, the Citizens National Bank of Macon, Ga., published its statement in the unique form reproduced herewith. The original newspaper advertisement occupied eight inches across five columns.

The president of the bank afterwards sent copies of the advertisement to many of its correspondents and others with this letter:

My Dear Sir:

Permit us to call your attention to the enclosed advertisement, which shows that we have purchased from the farmer, at ten cents per pound, one bale of cotton, and are carrying same in our statement.

We have not lost one single item of faith in the great future of the South, and believe that with the splendid, patriotic and unselfish, as well as intelligent coöperation on the part of the West and the North, the whole United States bids fair to have unprecedented prosperity for many months, after the cessation of hostilities in Europe.

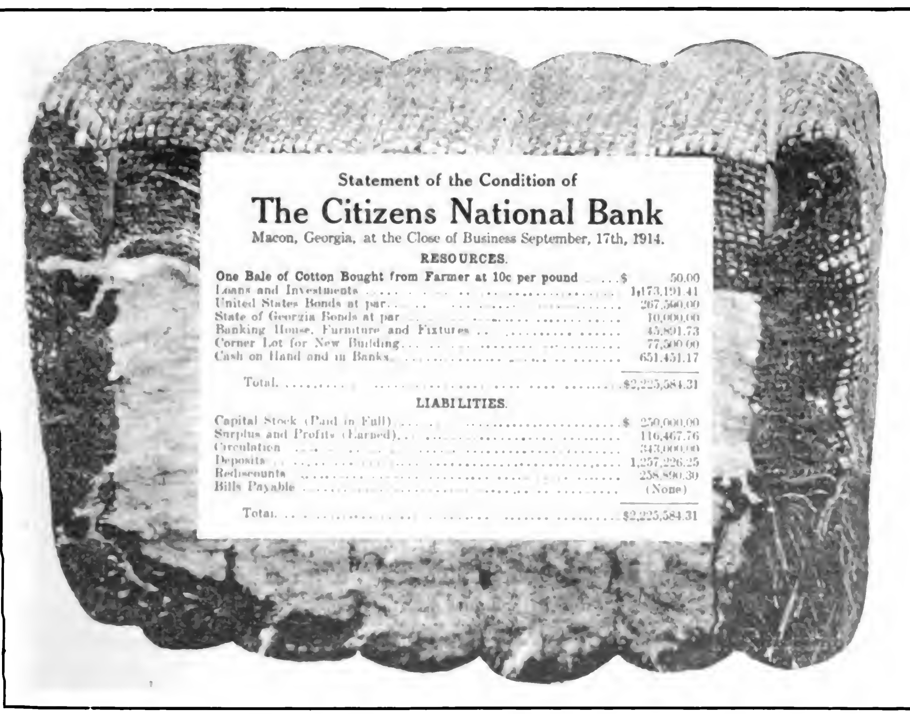
We would be pleased to have you or your good institution to join the "Buy a Bale of Cotton Movement," and if you will send us a check for one or more bales, at the price of 10 cents per pound, or $50 per bale, we will make the purchase for you direct from the farmer, and will see that the cotton is stored in a responsible warehouse, properly insured, and will forward you receipt of the warehouseman, properly certified promptly.

We bespeak your serious and favorable consideration of the matter in question.

With high regards, we are

Very truly yours,

E. W. STETSON, President



Statement of the Condition of

The Citizens National Bank

Macon, Georgia, at the Close of Business September, 17th, 1914.

RESOURCES.

One Bale of Cotton Bought from Farmer at 10c per pound	$ 50.00
Loans and Investments	1,173,191.41
United States Bonds at par	267,500.00
State of Georgia Bonds at par	10,000.00
Banking House, Furniture and Fixtures	45,891.73
Corner Lot for New Building	77,500.00
Cash on Hand and in Banks	651,451.17
Total	$2,225,584.31

LIABILITIES.

Capital Stock (Paid in Full)	$ 250,000.00
Surplus and Profits (Earned)	116,467.76
Circulation	343,000.00
Deposits	1,257,226.25
Rediscounts	258,890.30
Bills Payable	(None)
Total	$2,225,584.31

"BUY A BALE OF COTTON"

FULL OF CORDIALITY

Christmas is Coming

CHRISTMAS this year ought to be an especially happy season in peaceful America and bankers will do well to prepare some special copy along that line to use at the holiday season. Watch this department next month for suggestions.

We Ought to be Thankful

THIS is the month of Thanksgiving and there ought to be that note in American bank advertising this year, if ever. Aside from peace within our borders, there are three factors of encouragement that ought to make the American people thankful:

Our Great Crops—The total value of our 1914 crops will be well up in the billions.

The New Currency Law—The whole new plan of sound and elastic currency known as the Federal Reserve Association is now ready to help trade, commerce, agriculture and manufacturing.

The Panama Canal—Just as the war began, the canal was opened for traffic, bringing both coasts of North and South America into much closer touch with each other. At this time when the European export trade practically has been destroyed, Congress has enacted a law admitting foreign built ships to American registry so that we are now in a fair way to realize what has been the dream of years—an American merchant marine.

How Banks Are Advertising

Note and Comment on Current Financial Publicity

HOW *not* to advertise was shown by a large bank in a Missouri city which started off a recent newspaper advertisement by saying: "Money has been lost and lots of it by depositors in banks" or words to that effect. This is bad for the morale of depositors as a class. It is negative advertising and as such will be tabooed by wise advertisers.

The large advertisement of The American National Bank is well calculated to make merchants visiting Richmond feel at home in that bank. It certainly is a warm-hearted invitation.

The City National Bank of Holyoke, Mass., every once in a while publishes one of the Savings Bank Section's "Talks on Thrift" in the form of a six-page folder, the series being called "One Minute Talks of Thrift."

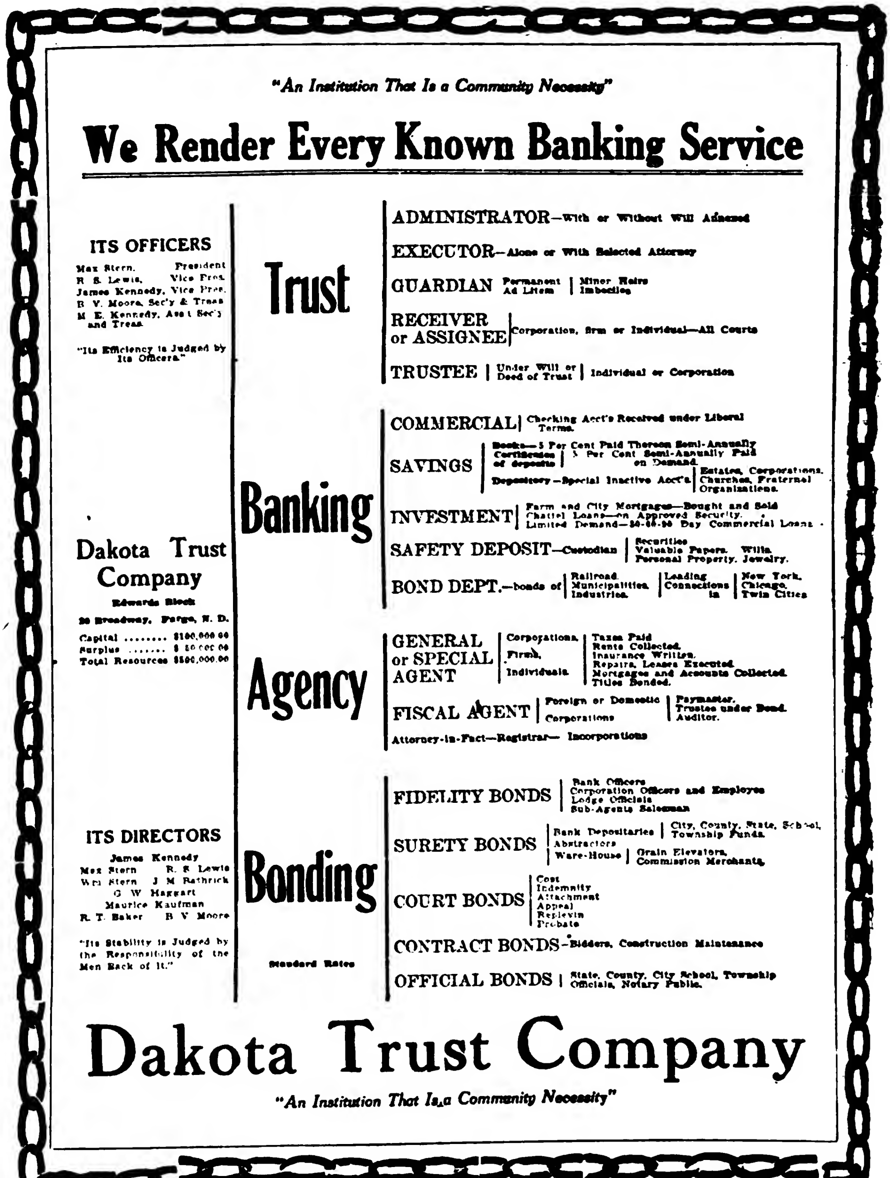
The Citizens National Bank of Poultney, Vt., issues a neat little folder containing a comparative, condensed statement, a summary of the bank's services, list of officers and directors and an electric railroad timetable.

We commend the advertisement of the Dakota Trust Company of Fargo, N. D., as making a very excellent use of large space. A tabular presentation like this will attract the attention of any business man.

The First National Bank of Wausau, Wis., is making strong efforts to secure some thrift instruction in the public schools of its community. In the introduction of a pamphlet reproducing two of the "Talks on Thrift" of the American Bankers Asociation it says:

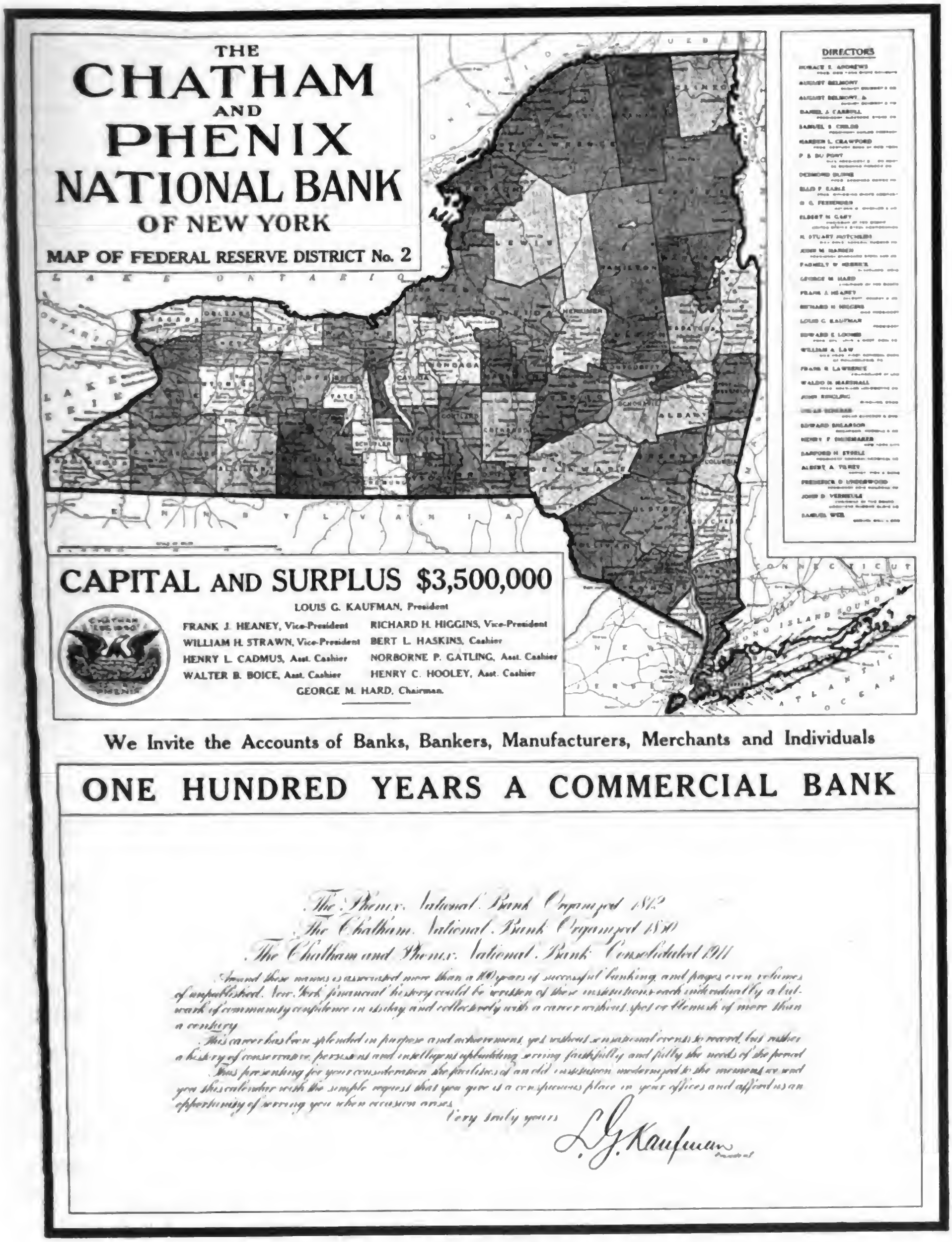
> Believing in the wholesome influence of the thrift movement this bank through its savings department offers special facilities for caring for the savings of the children. The pupils of your school are invited to start a savings account with this bank.

The Second National Bank of Paterson, N. J., again conducted a suc-



A GRAPHIC PRESENTATION OF SERVICES

cessful flower show. Northern New Jersey is a garden spot and not a few commuters are very expert flower growers, aided by good soil and fine climate. The exhibit, under the auspices of the Paterson Floricultural Society was made in the bank on the evening of September 11th last. A ecialty was made of dahlias, though there were many other flowers. About 5,000 saw the exhibit. Wessels Van Blarcom, the assistant cashier of the bank, originated the idea of holding these floral exhibitions. The purpose is to encourage people in the cultivation of flowers and to give the public an opportunity to see what fine specimens are now being grown in Paterson.



RESOURCES THIRTY MILLION DOLLARS

AS A HEADING TO AN ATTRACTIVE CALENDAR, THE CHATHAM AND PHENIX NATIONAL BANK OF NEW YORK PUBLISHES A MAP OF FEDERAL RESERVE DISTRICT NO. 2, TOGETHER WITH A CONCISE STATEMENT OF THE BANK'S POLICY AND EQUIPMENT FOR SERVICE

Our reproduction of the Chatham and Phoenix National Bank calendar gives only a faint idea of the attractiveness of the original which is printed in several colors. The portion in scrip below the map of Federal Reserve District, No. 2, is on the first leaf of the calendar.

Bank Advertising Exchange

Those listed herewith are willing to exchange booklets, folders and other advertising matter issued by them. Subscribers can get on this list free of charge by writing to the editor of this department.

Watch for new names and other changes.

Notice: We have received complaints from some of those whose names appear on the exchange list to the effect that they are getting no advertising matter from quite a number on the list. One bank wrote that it had sent out one pamphlet at a cost of $14, and an almanac at the expense of $12, but has received in exchange advertising matter from only about 25 per cent. of those on the list.

We have told this bank to send its advertising matter only to those who favor it in a similar manner and probably this is good advice for all the members of the "Exchange," allowing a month or two for the test.

F. R. Adams, Will Co. National Bank, Joliet, Ill.
American National Bank, Richmond, Va.
Carl W. Art, manager publicity department, Union Trust & Savings Bank, Spokane, Wash.
A. F. Bader, publicity manager, City National Bank, Evansville, Ind.
C. W. Bailey, cashier, First National Bank, Clarksville, Tenn.
The Bankers Magazine, New York.
H. C. Berger, Marathon County Bank, Wausau, Wis.
C. J. Bevan, cashier, Exchange Bank, Genoa, Ill.
E. L. Bickford, cashier, First National Bank, Napa, Cal.
W. O. Boozer, treasurer, American Trust Co., Jacksonville, Fla.
Jesse E. Brannen, cashier, First National Bank, Westwood, N. J.
E. M. Baugher, president, The Home Building Association Co., Newark, Ohio.
C. W. Beerbower, National Exchange Bank, Roanoke, Va.
H. C. Bollman, assistant cashier, First National Bank, Collinsville, Okla.
T. J. Brooks, cashier, The Guaranty Trust & Savings Bank, Jacksonville, Fla.
J. A. Buchanan, Guaranty Trust Co., Lancaster, Pa.
F. B. Bunch, cashier, Merchants & Farmers Bank, Statesville, N. C.
E. C. Burton, vice-president, Penn. National Bank, Chester, Pa.
Stephen L. Burwell, vice-president, First National Bank, Jackson, Miss.
A. Bush, Jr., Ladd & Bush, bankers, Salem, Oregon.
Citizens National Bank, Oconto, Wis.
Commercial Bank, Midway, Kentucky.
R. S. Coohan, 518 W. 63rd Street, Chicago, Ill.
Commercial Trust & Savings Bank, Prescott, Ariz.
H. Reed Copp, assistant advertising manager, Old Colony Trust Co., Boston, Mass.
Arthur S. Cory, Chehalis National Bank, Chehalis, Wash.
David Craig, Tradesmens National Bank, Philadelphia, Pa.
Eugene E. Culbreth, Commercial National Bank, Raleigh, N. C.
H. A. Dalby, Naugatuck Savings Bank, Naugatuck, Conn.
Dexter Horton National Bank, Seattle, Wash.
J. T. Donnellan, publicity manager, Security Trust & Savings Bank, Los Angeles, Cal.
T. R. Durham, assistant cashier, Chattanooga Savings Bank, Chattanooga, Tenn.
W. R. Dysart, assistant cashier, First National Bank, Ripon, Wis.
J. C. Ehersprancher, assistant cashier, First National Bank, Shelbyville, Ill.
A. A. Ekirch, secretary, North Side Savings Bank, New York City.
F. W. Ellsworth, publicity manager, Guaranty Trust Co., New York.
The Franklin Society, 38 Park Row, N. Y.
E. W. Finch, assistant cashier, Birmingham Trust & Savings Co., Birmingham, Ala.
First National Bank, Lead, S. D.
Horatio Ford, secretary, Garfield Savings Bank Co., Cleveland, Ohio.
Jas. P. Gardner, Montclair, N. J.
Germantown Ave. Bank, Philadelphia, Pa.
C. L. Glenn, advertising manager, Wachovia Bank & Trust Co., Winston-Salem, N. C.
B. P. Gooden, advertising manager, New Netherland Bank New York.
C. F. Hamsher, First National Bank, Los Gatos, Cal.
Victor F. Hann, manager publicity department, The Fifth Avenue Bank, New York City.
J. W. Hansen, cashier, Citizens State Bank, Sheboygan, Wis.
E. A. Hatton, cashier, First National Bank, Del Rio, Texas.
F. W. Hausmann, assistant cashier, North West State Bank, Chicago, Ill.
John R. Hill, Barnett National Bank, Jacksonville, Fla.
Jessamine G. Hoagland, publicity manager, National City Bank, Chicago, Ill.
N. M. Hokanson, State Bank of Chicago, Chicago, Ill.
Frank K. Houston, assistant cashier, Third National Bank, St. Louis, Mo.
L. M. Howard, vice-president, Continental Bank & Trust Co., Shreveport, La.
Le Baron M. Huntington, manager publicity department, Registrar & Transfer Co., New York City.
W. L. Jenkins, Farmers & Mechanics Trust Co., West Chester, Pa.
N. W. Johnston, president, Illinois Trust & Savings Bank, Champaign, Ill.
W. P. Jones, assistant cashier, First National Bank of Commerce, Hattiesburg, Miss.
W. R. Kay, Jr., advertising manager, Sacramento Bank, Sacramento, Cal.
C. B. Keller, Jr., assistant cashier, Stroudsburg National Bank, Stroudsburg, Pa.
Geo. D. Kelley, Jr., treasurer, Newark Trust & Safe Deposit Company, Newark, Del.
Kennett Trust Co., Kennett Square, Pa.
Grover Keyton, New Farley National Bank, Montgomery, Ala.
Edward W. Klein, advertising manager, Cleveland Trust Co., Cleveland, Ohio.
M. R. Knauft, assistant cashier, Merchants National Bank, St. Paul, Minn.
George L. Kreeck, treasurer, Farmers State Savings Bank & Trust Co., Lawrence, Kans.
Henry M. Lester, National City Bank, New Rochelle, N. Y.
A. E. Lindhjem, assistant cashier, Scandinavian American Nat. Bank, Minneapolis, Minn.
L. W. Lovell, assistant cashier, The Lovell State Bank, Monticello, Iowa.
H. Warner Martin, assistant cashier, Lowry National Bank, Atlanta, Ga.
Charles S. Marvel, The First-Second National Bank, Akron, Ohio.
H. B. Matthews, S. W. Straus & Co., Straus Bldg., Chicago, Ill.
Tom C. McCorvey, Jr., assistant cashier, City Bank & Trust Company, Mobile, Ala.
J. C. McDonald, advertising manager, The City National Bank, Sulphur Springs, Texas.
Frank Merrill, advertising manager, The Northwestern National Bank, Minneapolis, Minn.
Will E. Morris, assistant cashier, Farmers & Merchants Bank, Stockton, Cal.
E. R. Mulcock, Commercial National Bank, Syracuse, N. Y.
Nebraska State Bank, Ord., Neb.
Old State National Bank, Evansville, Ind.
J. A. Overton, cashier, The National Bank of Smithtown Branch, Smithtown Branch, N. Y.
R. B. Parrish, cashier, National Bank of Commerce, Williamson, W. Va.

A. E. Potter, president, Broadway National Bank, Nashville, Tenn.
W. W. Potts, treasurer, The Federal Title & Trust Co., Beaver Falls, Pa.
Felix Robinson, advertising manager, First National Bank, Montgomery, Ala.
C. W. Rowley, manager, Canadian Bank of Commerce, Winnipeg, Can.
Wm. J. Ruff, cashier, Luzerne County National Bank, Wilkes-Barre, Pa.
W. W. Russell, cashier, First National Bank, White River Junction, Vt.
George J. Schaller, cashier, Citizens Bank, Storm Lake, Iowa.
Almot Schlenker, assistant cashier, First National Bank, Brenham, Tex.
Paul T. Schulze, assistant cashier, State Bank of La Crosse, La Crosse, Wis.
E. P. Simpson, Jr., assistant cashier, First National Bank, Toccoa, Ga.
T. K. Smith, Jr., manager, Gimbel Brothers, Bankers, New York City.
J. G. Spangler cashier, The Mesa City Bank, Mesa, Ariz.
W. R. Stackhouse, City National Bank, Bldg., Utica, N. Y.
T. H. Stoner, cashier, The Peoples National Bank, Waynesboro, Pa.
C. E. Taylor, Jr., president, Wilmington Savings & Trust Co., Wilmington, N. C.
A. C. Tonsmeire, cashier, City Bank & Trust Co., Mobile, Ala.
Union Trust Co. of D. C., Washington, D. C.
F. H. Williams, assistant treasurer, Albany City Savings Institution, Albany, N. Y.
John W. Wadden, Lake County Bank, Madison, S. D.
Wessels Van Blarcom, assistant cashier, Second National Bank, Patterson, N. J.
C. C. Willson, care of Continental & Commercial Trust & Savings Bank, Chicago, Ill
Frank A. Zimmerman, Chambersburg Trust Co., Chambersburg, Pa.
Paul E. Zimmerman, cashier, Oak Park Trust and Savings Bank, Oak Park, Ill.
E. L. Zoernig, Sedalia Trust Co., Sedalia, Mo.

NEW NAMES THIS MONTH

R. A. Bradham, cashier, The Commercial & Savings Bank, Sumter, S. C.

Vice-Chairman of the Board of the Philadelphia Reserve Bank

GRADUALLY the new Federal Reserve banking system is being put into form for practical operation, men well known in banking and general business having been selected to fill the positions of directors and managing officials of the new banks.

An appointment that has been especially well received is that of George M. La Monte, Banking and Insurance Commissioner of New Jersey, who has been made a Class C director of the Federal Reserve Bank of District No. 3 (Philadelphia) and vice-chairman of the board in that district.

Mr. La Monte is also president of George La Monte & Son, paper manufacturers, and president of the First National Bank, Bound Brook, N. J.

Having served as Banking and Insurance Commissioner of the State of New Jersey since the fall of 1912. Mr. La Monte is well acquainted with banking and business affairs in Federal Reserve District No. 3. His knowledge of banking and long and honorable business record make his appointment a fitting one, and his service as vice-chairman of the Federal Reserve Board of the Philadelphia District will add to the confidence of bankers in the new system.

GEORGE M. LAMONTE
VICE-CHAIRMAN FEDERAL RESERVE BANK BOARD, DISTRICT NO. 3.

Book Reviews

PRINCIPLES OF TAXATION. By Hastings Lyon. Boston: Houghton-Mifflin Company.

BANKS will find in this book a thorough discussion of the taxation of securities and corporations, thus making the book of special interest and value. The examination which the author makes of the entire subject of taxation seems to be clear and able and his conclusion sound.

WHY THE DOLLAR IS SHRINKING: A STUDY IN THE HIGH COST OF LIVING. By Irving Fisher. New York: The Macmillan Company (Price $1.25 net).

FEW economic writers of the present day have given the attention to this important subject bestowed upon it by Professor Fisher, and no one, perhaps, is so well qualified to reach correct conclusions. The present price level is held to be largely dependent upon the accidents of gold mining. In a subsequent volume he will point out how greater stability may be given to the value of a dollar. It is interesting to note that he regards the Federal Reserve Act as inflationary in character.

ALASKA: ITS MEANING TO THE WORLD, ITS RESOURCES, ITS OPPORTUNITIES. By Charles R. Tuttle. Seattle, Washington: Franklin Shuey & Company.

FROM his own travels and from other sources the author has collected very comprehensive data about Alaska which will prove of interest and permanent value. One will be surprised to learn the vast extent of the country and the variety of its soil, climate and products as well as the diversity of its inhabitants. Important problems, such as transportation, government, etc., etc., are also dealt with, the whole constituting a comprehensive and solid fund of information about Alaska.

DIGEST OF SAVINGS BANK LAWS (New York). By Joseph H. Praetz, LL. B., assistant auditor Emigrant Industrial Savings Bank, New York. (Price, $1.00.) Published by the author.

THIS is a most useful compilation for savings bank men, as it contains an excellent digest of the laws relating to savings banks in the State of New York. As the banking law of the State has been recently revised, this publication is especially opportune as showing the changes made.

ESSAYS ON BANKING REFORM IN THE UNITED STATES. By Paul M. Warburg. New York: Academy of Political Science. (240 pp., price, in paper covers, $1.50.)

THE appointment of Paul M. Warburg, the New York banker, to the Federal Reserve Board gives more than historical interest to the publication by the Academy of Political Science of his collected essays and speeches on banking reform in the United States.

"Essays on Banking Reform in the United States" covers the memorable period from 1907 to the passage of the Federal Reserve Act.

The volume deals with a subject of practical concern to bankers, and Mr. Warburg's studies and experiences fit him to speak with authority. Many of his suggestions were of practical assistance in constructing the Federal Reserve Act.

Books Received

PROCEEDINGS TWENTY-FIRST ANNUAL CONVENTION NEW YORK STATE BANKERS ASSOCIATION.

BANKING PRACTICE AND FOREIGN EXCHANGE. Alexander Hamilton Institute, New York.

OCEAN TRAFFIC AND TRADE. B. Olney Hough. La Salle Extension University, Chicago.

Federal Reserve Banks — Their Machinery and Methods

THE installation of the Federal Reserve Banking System is an event of the greatest practical concern not only to the National banks but to the State banks, trust companies and savings banks.

In the belief that all these classes of institutions will want to be fully informed as to the actual workings of the new banking system, the Editor of this MAGAZINE is now preparing, and the Bankers Publishing Company will shortly issue, a book fully explaining the workings of the Federal Reserve Banks. An outline of the contents follows:

In Preparation.

FEDERAL RESERVE BANKS: THEIR MACHINERY AND METHODS.

By ELMER H. YOUNGMAN, EDITOR BANKERS MAGAZINE.

A Practical and Thorough Explanation of the Operation of the New Banks Organized Under the Federal Reserve Act, Giving Forms, Books, Records, Blanks, Rules, Regulations, By-Laws and Instructions for the Guidance of Member Banks.

CONTENTS.

FEDERAL RESERVE DISTRICTS.

Their Number and Boundaries—How Fixed—Present Number of Districts, and Territory Embraced in Each.

FEDERAL RESERVE CITIES.

By Whom Designated—Names of Present Federal Reserve Cities.

FEDERAL RESERVE BOARD.

Of Whom Composed, and How Named—Regulation of Terms of Office and Salaries—Powers and Duties of the Board.

FEDERAL ADVISORY COUNCIL.

Number of Its Members and How They Are Chosen—Compensation of Members—Powers of the Council.

FEDERAL RESERVE BANKS.

Their Number and Location, Amount of Capital Stock and How Obtained — Responsibilities of Shareholders—Division of Earnings on Shares—Membership Compulsory for National Banks, Permissive for State Banks and Trust Companies—Voting Power of Stock—Transfer of Shares—Payment of Subscriptions, How Made—Form of Organization Certificate—Form of By-Laws—Directors: Their Division Into Classes—Qualifications and Method of Election for Each Class—Powers and Duties of the Directors. Officers and Employees of Federal Reserve Banks—Titles of Officers, and Their Terms and Compensation, Powers and Duties of Officers—Note Issues of Federal Reserve Banks—How Emitted, and How Obtained by Member Banks

—Discounts and Rediscounts by Federal Reserve Banks—Eligibility of Paper of Various Kinds—Clearing of Checks—Branches of Federal Reserve Banks.

National Bank Members of Federal Reserve Banks.

Enlargement of Privileges, Such as Power to Establish Foreign Branches, Make Farm Loans, Accept Drafts, Etc.—Method of Making Examinations—Limitation of Fees and Benefits to Officers and Directors—Various Changes of the Law Relating to National Banks.

State Banks and Trust Companies as Members of the Federal Reserve Banks.

Regulations to be Complied With to Obtain Membership—Advantages of Joining the System.

Reserves of Member Banks.

Changes in Amount of Reserves —Gradual Transfer of Reserves from Central Reserve and Reserve Cities to Federal Reserve Banks—Different Reserves to be Kept Against Time and Demand Deposits—Reserves of State Banks and Trust Companies.

Miscellaneous Features.

Abolition of Bond Deposits Preliminary to Organization of National Banks—National Bank Circulation Continued, But May be Retired—Five Per Cent. Redemption Fund no Longer Counts as Reserves—Act of May 31, 1908, Extended and Amended—Gold Standard Law Reaffirmed.

Rules, Regulations and Forms.

Books, Records, Accounting Systems, Blank Forms, By-Laws, Rules and Regulations of the Federal Reserve Board and Federal Reserve Banks—Illustrations and Explanations—Methods of Dealings Between Members and the Federal Reserve Banks—Redemption of Circulating Notes and Checks.

This complete practical book shows the actual workings of the Federal Reserve Banks, how member banks may deal with them, and the relations of State banks and trust companies to the new system.

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Order your copy now.

The Bankers Publishing Company, 253 Broadway, New York.

Mistaken Idea About Bankers

ADDRESSING the annual convention of the Montana Bankers Association at Butte in August last, President D. R. Peeler said:

"There is one very unfortunate thing that bankers have to contend with everywhere. It is the mistaken idea that bankers as a class are not patriotic like other citizens, but are selfish in the extreme and are only interested in the one thing—banking. Now, all good business men and thinking people know that all lines of business must prosper in order that the banking business be a success. In connection with this, I would like to call attention to an address delivered by F. A. Vanderlip on June 11 last, before the convention of the New York Bankers Association. If this address could be read by all people who have any prejudice against banks, it would go a long way in removing any such feeling. The banks everywhere are only too willing to assist in any enterprise for the benefit of their respective communities."

Franklin Trust Company's New Branch

A NEW branch of the Franklin Trust Company, whose main office is at 166 Montague street, Brooklyn, New York city, has been established at 44 and 46 Wall street, New York, in the financial center. Coincidently with the opening of the new branch the company announces the election of two new officials—Edward C. Delafield, vice-president, and C. Carlton Kelley, assistant secretary—both of whom will make the Wall street office their headquarters. Mr. Robert G. Peace, formerly of the Seaboard National Bank, will be with the company at the Wall street office as credit manager.

The Franklin Trust Company was organized and commenced business on August 1, 1888, with $500.000 capital, which was increased about a year later to $1,000,000, the present figure. In addition to the capital, the surplus and profits (September 12, 1914) amount to $1,152,796.60. The company's business has grown steadily and at a satisfactory rate, the deposits on the date named being $12.087,955.68 and total resources $14,324,665.05.

With the opening of the new office, the Franklin Trust Company has three business places, namely, the head office at 166 Montague street, Brooklyn; 569 Fulton street, Brooklyn, and the New York office at 44 and 46 Wall street.

The company is a designated depositary for the United States Government (postal savings system). State of New York, City of New York, and Kings County (court and trust funds), and is also a member of the New York Clearing-House Association.

Officers of the company are: President, Arthur King Wood; vice-president, Edward C. Delafield; secretary, Clinton W. Ludlum; assistant secretaries, William J. Montgomery, George Switzer and C. Carlton Kelley; trust officer, Thornton Gerrish.

In its board of trustees the Franklin Trust Company has a wide representation of financial and business interests embodying an exceptional degree of strength and assuring safe and able management. A list of the trustees follows:

Charles F. Bassett, Bassett & Sutphin, paper; Union N. Bethell, president N. Y. Telephone Company; William Allen Butler, Butler, Brown, Wyckoff & Campbell, lawyers; R. Bayard Cutting, 32 Nassau street, New York; Edward C. Delafield, vice-president of the company; Charles B. Denny, treasurer American Locomotive Company; Lawrence L. Gillespie, 11 East Eighty-ninth street, New York; Crowell Hadden, president Brooklyn Savings Bank; Henry R. Hayes, Stone & Webster, Boston; James Imbrie, William Morris Imbrie & Company, bankers; John H. Iselin, Anderson, Iselin & Anderson, lawyers; A. Ludlow Kramer, president Electric Properties Company; William G. Lowe, 58 Remsen street, Brooklyn; William G. Low, Jr., William Morris Imbrie & Company, bankers; Edwin S. Marston, president The Farmers' Loan & Trust Company; Edgar Palmer, president New Jersey Zinc Company; Charles J. Peabody, Spencer Trask & Company, bankers; R. Stuyvesant Pierrepont, 31 Nassau street, New York; James H. Post, B. H. Howell, Son & Company, sugar; George H. Prentiss, George H. Prentiss & Company, brokers; William M. Ramsay, New York agent Merchants Bank of Canada; John Sloane, W. & J. Sloane; Griswold A. Thompson, 500 Fifth avenue, New York; Guy E. Tripp, chairman Westinghouse Electric & Manufacturing Company; Frank Day Tuttle, S. Tuttle's Son & Company, coal; William H. Wallace,

451 Clinton avenue, Brooklyn; Arthur King Wood, president of the company.

With a record of over a quarter of a century of service in the capacity of a carefully managed fiduciary institution, the Franklin Trust Company looks forward to an even greater degree of public usefulness in the future.

Modern Financial Institutions and Their Equipment

A Strong and Prosperous Virginia Bank

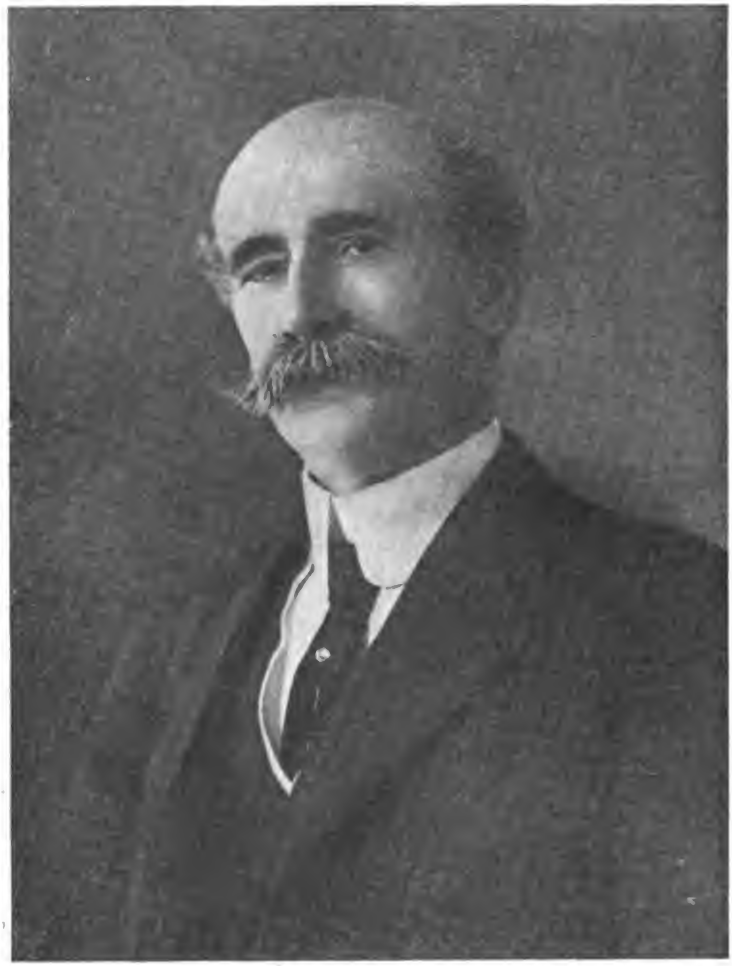
REFLECTING in its statement the wealth of the surrounding territory and the solid progress of its city, The Norfolk National Bank, Norfolk, Va., fairly ranks with the successful and prosperous banks of the South. Strength is indicated by a capital of $1,000,000, surplus of $500,000 and undivided profits of over $300,000. Deposits on September 12, 1914, were $5,124,441.71 and total resources $7,924,822.09. The surplus and profits were built up to their present size after paying $1,576,000 in dividends to stockholders.

As may be inferred from these figures, the management of The Norfolk National Bank is prudent, applying at all times a due proportion of earnings to the building up of a fund of sur-

GENERAL VIEW OF MAIN BANKING ROOM FROM ENTRANCE

THE NORFOLK NATIONAL BANK, NORFOLK, VA.

THE NORFOLK NATIONAL BANK



Caldwell Hardy, President
THE NORFOLK NATIONAL BANK, NORFOLK, VA.

A. B. Schwarzkopf, Vice-President
THE NORFOLK NATIONAL BANK, NORFOLK, VA.

E. T. LAMB, VICE-PRESIDENT
THE NORFOLK NATIONAL BANK, NORFOLK, VA.

plus and undivided profits for the protection of depositors and also affording ample means of adequately serving the requirements of its patrons.

The success that the bank has achieved renders a concise account of its history of general interest.

HISTORICAL SKETCH.

THE Norfolk National Bank commenced business August 1, 1885, with a paid-in capital of $400,000, with C. G. Ramsay, president; C. W. Grandy, vice-president, and Caldwell Hardy, cashier. The business grew steadily from the time of organization. At a meeting of the Board of Directors, June 2, 1891, A. B. Schwarzkopf was elected assistant cashier.

On February 11, 1894, President Ramsay died, and at a meeting of the directors held March 13th of the same year, C. W. Grandy was elected pres-

OFFICERS' QUARTERS
THE NORFOLK NATIONAL BANK, NORFOLK, VA.

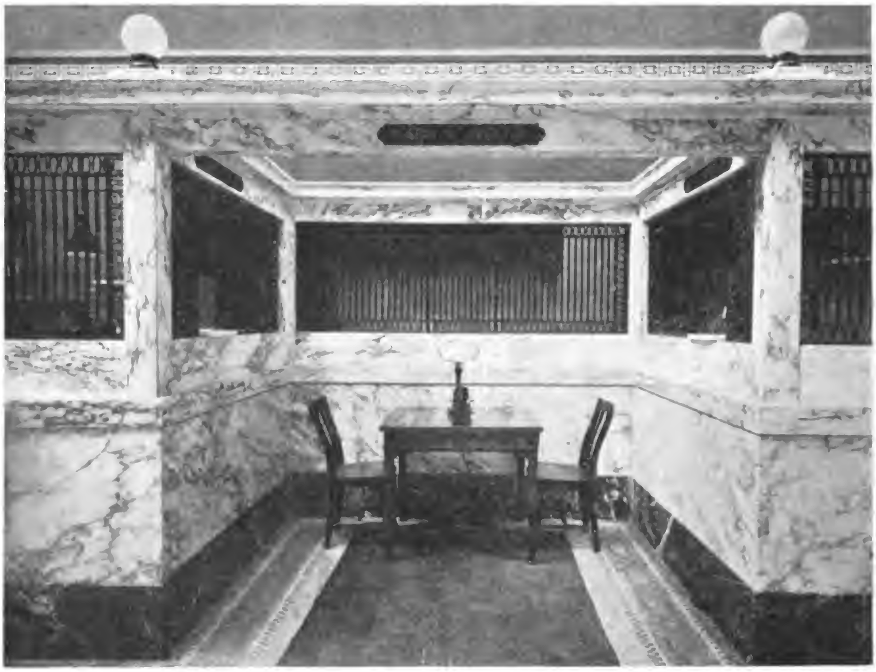
W. A. Godwin, Cashier
THE NORFOLK NATIONAL BANK, NORFOLK, VA.

ident, and Col. George Tait, vice-president.

Mr. Grandy continued as president until March 26, 1895, but on account of his many private interests, tendered his resignation at a meeting of the board of directors, held on that date, which was accepted. At the same time Col. George Tait also resigned as vice-president. J. G. Womble was elected president. and C. W. Grandy, vice-president, this change becoming effective April 1, 1895.

The bank continued with the same officers until January 13, 1899, when Mr. Womble resigned as president, and Caldwell Hardy, cashier, was elected in his place. A. B. Schwarzkopf was elected cashier, and W. A. Godwin, at that time paying-teller, was promoted to the position of assistant cashier. On January 11, 1907, Mr. Grandy tendered his resignation as vice-president, and E. T. Lamb was elected in his stead.

In the fall of 1906, the capital of the bank was increased from $400,000 to $1,000,000, with a surplus of $500,000, and undivided profits of $85,000; $300,000 of this increase was given to old stockholders in the shape of a stock dividend and $300,000 sold to new stockholders. On February 16, 1909, A. B. Schwarzkopf, cashier, was promoted to the office of vice-president, and W. A. Godwin was chosen cashier.



LADIES' ALCOVE
THE NORFOLK NATIONAL BANK, NORFOLK, VA.

In 1909 the bank finding its quarters too small for the proper conduct of its business, immediately began the erection of a new building, which was completed and occupied in October, 1910. It is a modern structure in every respect and is equipped with everything essential to the safe and convenient transaction of business, besides being a fine example of solid and artistic bank architecture.

The officers of The Norfolk National Bank are men of wide banking experience and proved ability.

Caldwell Hardy, president, is also president of The Norfolk Bank for

Savings and Trusts, and as ex-president of the American Bankers Association has an extensive acquaintance with bankers in all parts of the country. He has been connected with the bank since its organization.

A. B. Schwarzkopf, vice-president, came with the bank at its organization as a runner, and worked his way up to his present position. He is an ex-president of the Virginia Bankers Association.

W. A. Godwin, cashier, started with the bank as runner six months after its organization, and worked his way up to his present position.

E. T. Lamb, vice-president, is also president of the Atlanta, Birmingham & Atlantic Railroad.

All the facts presented above show that The Norfolk National Bank is well housed, carefully managed, and that it is in all respects a strong and successful institution.

First National Bank, Hancock Michigan

FAITH is one of the necessary elements of a bank's prosperity—the kind of faith representing both the evidence of things not seen and those which are visible even to the naked eye. The public faith in an institution handling one's money rests upon a belief in the integrity and ability of those to whom the management is entrusted—a belief that has both tangible and intangible foundations, the former not being easy to define. Of the latter are such things as the kind of service rendered—an excellent test—and such other elements as buildings, equipment and figures showing results. Time counts, too, in estimating the standing of a bank, though this is not an infallible guide; for old and well-managed banks have been known to fall into

NEW HOME FIRST NATIONAL BANK, HANCOCK, MICHIGAN

MAIN BANKING ROOM AND OFFICERS' QUARTERS
FIRST NATIONAL BANK, HANCOCK, MICHIGAN

less careful hands, and the record of long years sullied.

But this is only the exception that proves the rule, which is that the bank that has long withstood financial storms and has survived the shock has been toughened by trial and likely to withstand similar experiences in the future.

Then a bank that has lived long and has prospered shows that it understands how to meet the wants of its community—and that is the real test of strength, the best guaranty of the future.

In the things that count in banking—safety, efficient service and wise progress—the First National Bank of Hancock, Mich., occupies an enviable position. It has to its credit a record of over forty years in meeting the demand for banking facilities in its locality, and is therefore time-tried. A safe policy has characterized the management, as is indicated by the reservation of a surplus and profits fund in excess of the $100,000 capital. What the bank earned was not alone for the profit of the shareholders, but for the service and safety of those who have dealt with it and who have helped make the earnings possible.

Here we have the tangible evidence of figures as a warrant for faith, and we likewise have an even more palpable witness of prosperity in the fine building completed and occupied by the First National Bank of Hancock early in the present year, and of which some description is called for, though the accompanying illustrations tell most of the story.

THE NEW BUILDING

OF Romanesque design, with massive granite bases and pillars, the entire building, except the bronze, is white, thus giving a very striking effect. The front is of granite and bronze, while the sides are of Bed-

ford limestone for the first story and brick for the second. The general effect of the structure is dignified and pleasing.

In the interior marble of fine quality has been lavishly used, while the various tellers' cages, all conveniently arranged both for the employees and the public, are also enclosed in marble and bronze. There are ample rooms set aside for use of customers, and the officers have handsomely appointed quarters readily accessible to callers. The directors' room is spacious and most tastefully furnished in mahogany.

In the important matters of heating, lighting and ventilation the most modern systems have been employed, while the entire equipment contributes toward perfection of service. The two vaults on the main floor are set in a twenty-four inch sheath of concrete and railroad iron, lined with one and one-half inch chrome and open-hearth steel. The door of the currency vaults weighs eleven tons and has a triple time lock. Inside the vault are two manganese currency chests.

Steel boxes of the latest design and of graduated sizes were installed. A heavy steel grille separates the currency and safe-deposit vaults from the banking room.

In all the essentials of a modern bank building—beauty of appearance, solidity of materials, safety and fitness for the use to which it is put—the building of the First National Bank, Hancock, Mich., is a creditable piece of workmanship by the Bankers Building Bureau of New York under whose direction the construction took place.

SAFE DEPOSIT DEPARTMENT, MONEY AND SECURITY VAULTS
FIRST NATIONAL BANK, HANCOCK, MICHIGAN

A WORD ABOUT THE BANK

WHEN the First National Bank was organized in 1874 it was the first bank in Hancock and the second

in Houghton county. While the capital remains at $100,000—the same as at the time of organization—the surplus and profits have steadily been added to from the earnings and now amount to over $109,000. There has been a continuous growth of deposits, the gains in recent years being as follows:

Sept. 12 1908	$1,276,154.06
Sept. 12, 1911	1,390,888.30
Sept. 12, 1914	1,533,178.67

Total resources on the date last named were $1,792,402.87.

It is the aim of the present officers to maintain the sound traditions of the past and at the same time keep in line with a wisely-progressive policy. Those who now guide the affairs of this institution are: President, August Mette; vice-president and manager, W. R. Thompson; assistant cashiers, M. M. Shea and John C. Condon.

War Revenue Tax on Bankers and Brokers

FOLLOWING is the provision in the new War Revenue Act relating to the tax on bankers and brokers:

Sec. 3. That on and after November first, nineteen hundred and fourteen, special taxes shall be, and hereby are, imposed annually, as follows, that is to say:

First, Bankers shall pay $1 for each $1,000 of capital used or employed, and in estimating capital, surplus and undivided profits shall be included. The amount of such annual tax shall in all cases be computed on the basis of the capital, surplus, and undivided profits for the preceding fiscal year. Every person, firm, or company, and every incorporated or other bank, having a place of business where credits are opened by the deposit or collection of money or currency, subject to be paid or remitted upon draft, check, or order, or where money is advanced or loaned on stocks, bonds, bullion, bills of exchange, or promissory notes, or where stocks, bonds, bullion, bills of exchange, or promissory notes are received for discount or sale, shall be a banker under this Act: Provided, That any postal savings bank, or savings bank having no capital stock, and whose business is confined to receiving deposits and loaning or investing the same for the benefit of its depositors, and which does no other business of banking, shall not be subject to this tax.

Second. Brokers shall pay $30. Every person, firm, or company, whose business it is to negotiate purchases or sales of stocks, bonds, exchange, bullion, coined money, bank notes, promissory notes, or other securities, for themselves or others, shall be regarded as a broker: Provided, That any person having paid the special tax as a banker shall not be required to pay the special tax as a broker.

New Counterfeit $10 United States Note (Buffalo Note)

SERIES of 1901; check letter "D"; face plate number 2; Gabe E. Parker, Register of the Treasury; John Burke, Treasurer of the United States; number E780440.

This counterfeit is apparently printed from photo-lithographic plates on two pieces of cheap thin paper between which silk threads have been distributed. The lathe work on this counterfeit is poor, particularly on the back where much of the detail is lost in the printing. The figures of the Treasury number are too large and too heavy.

It is a fairly deceptive counterfeit.

Joseph Wayne, Jr.

PRESIDENT GIRARD NATIONAL BANK, PHILADELPHIA

JOSEPH WAYNE, JR., one of the best-known of the younger bankers of the country, has been elected president of the Girard National Bank, succeeding R. L. Austin, who resigned to become chairman of the Federal Reserve Board and Federal Reserve Agent of the Philadelphia Federal Reserve Bank.

Mr. Wayne has reached a very important banking position while yet only slightly above forty years of age. He has been with the Girard National Bank over twenty-five years, beginning as a clerk shortly after graduating from school. He became assistant cashier in 1889, and cashier in 1891, to this position the office of vice-president being added in 1910.

Mr. Wayne has served two full three-year terms as member of the executive council of the American Bankers Association, and in 1906 was honored by the bankers of his State by being chosen president of the Pennsylvania Bankers Association. He is a native of Philadelphia, and all his banking service has been with the bank of which he is now president. Mr. Wayne has a very large number of friends in Pennsylvania and throughout the country who will rejoice over his promotion, recognizing it as having followed banking service of exceptional ability combined with unusually agreeable personal characteristics.

Consequent upon Mr. Wayne's election to the presidency, Evans Randolph was elected vice-president; Charles M. Ashton was promoted from assistant cashier to cashier, and Albert W. Pickford and Alfred Barrett were made assistant cashiers.

American Bankers' Convention

Richmond Splendidly Entertains the Bankers

Extracts from several papers presented at the convention will be published in a subsequent number of THE BANKERS MAGAZINE.—EDITOR.

THE Fortieth Annual Convention of the American Bankers Association, held at Richmond, Va., October 12 to 16, will long be memorable to the many bankers who attended it by reason of the splendid entertainment afforded and the genuine cordiality which the Richmond bankers showed toward their guests. It was a Southern welcome, a Virginia welcome, and a Richmond welcome all in one—which might be said to have filled the visitors to their limit—a figure of speech open to possible misconstruction.

Richmond was surely glad to see the bankers of the country—a fact evidenced not merely by the elaborate official preparations made for entertaining the convention, but that manifested itself in a thousand ways. The bankers, in their banks and homes, gave to the reception of the guests a personal touch that was peculiarly noteworthy and contributed greatly toward establishing forever in the hearts of the visitors a warm place for Richmond.

And the weather—that important factor in gatherings of this kind where there is a great deal of outdoor entertainment in the way of golf, drives and water trips—well, the weather was much like it was at Boston last year, only perhaps a little more so—which is not very complimentary to the Richmond weather man. But as at Boston, there were so many interesting things to do and to see, and so much good humor and good will, that the weather did not keep the visitors from getting the full measure of delight out of the many entertainments so thoughtfully planned and so admirably carried out.

The extensive entertainment programme presented in the October number of the MAGAZINE, consisting of automobile rides, teas, banquets, Governor's ball and reception, concert, boat trip, golf tournament and many other care-beguiling functions, filled the visitor's time completely and delightfully, and added to all these were the cordial personal greetings which gave to the welcome of Richmond a final seal of assurance.

THE CONVENTION

PERHAPS it is no exaggeration to say that never has the American Bankers Association assembled at a time when the banking interests of the United States were confronted by so many serious problems. A new banking system, introducing numerous and radical changes into the country's financial machinery and methods, was just on the point of going into operation—involving consequences which cannot be foreseen, and occasioning no small anxiety while the change is being made.

Added to this serious situation was the extraordinary financial and economic upheaval caused by the great war in Europe. The latter situation no doubt kept many away from the convention, because at a time of this kind many bankers do not feel it prudent to leave their institutions. Yet the attendance was large, and the interest

JAMES K. LYNCH
FIRST VICE-PRESIDENT AMERICAN BANKERS ASSOCIATION; VICE-PRESIDENT FIRST NATIONAL BANK, SAN FRANCISCO, CAL.

in the proceedings exceptionally great.

The most notable feature of the convention was the annual address of President Arthur Reynolds. And the most important thing he said—or that has been said by any banker—was in declaring that the time had come for bankers and business men to unite in repelling the legislative assaults on business which have been so freely indulged in by politicians of all parties.

This was a challenge to the demagogue, the pseudo-progressive and the sham reformer, and a direct notification to them that henceforth they are going to find themselves opposed by an aroused and intelligent public sentiment that sanctions no illegal or immoral doings on the part of big business or little business, but that means to protect the legitimate industry and commerce of the country from the destructive programme of the demagogue who makes his living by arousing hostility toward capital and whose chief aim in life is to destroy the prosperity which the industry of the country has created.

This declaration by Mr. Reynolds indicates that the time is at hand when

bankers and other business men are no longer meekly to submit to the attacks made upon them. It is a significant utterance, marking the inauguration of a policy whose results may be far-reaching in their consequences. In a subsequent issue of the MAGAZINE extensive quotations will be made from this address, and its import commented on at more length.

Preceding the address of Mr. Rey-

FRED E. FARNSWORTH
SECRETARY AMERICAN BANKERS ASSOCIATION

nolds, appropriate speeches of welcome were made by Governor Henry C. Stuart of Virginia, Hon. George Ainslie, Mayor of the City of Richmond, and by John B. Purcell, president of the Richmond Clearing-House Association. President Reynolds made a graceful acknowledgment of Richmond's hospitality.

The reports of the various officers and committees were presented, telling the association's activities during past year.

Governor Charles S. Hamlin of the Federal Reserve Board, and Hon. Carter Glass, Chairman of the Banking and Currency Committee of the House of Representatives, made addresses on the new Federal Reserve Act; Hon. Logan Waller Page, Director Office of Public Roads, United States Department of Agriculture, spoke on "Fundamental Problems in Highway Improvement"; President Edward K. Graham of the University of North Carolina spoke on "Banking and the Larger Citizenship."

Oliver J. Sands, president of the American National Bank, Richmond, offered resolutions favorable to an increase in railway rates; and under a suspension of the rules, these resolutions were passed.

Dr. C. G. Hopkins of the University of Illinois spoke on "Soil Fertility: Greatest Necessity and the Best Investment." William Livingstone, former president of the American Bankers Association and president of the Dime Savings Bank, Detroit, made a brief address on "The True Status of the Automobile Industry in the United States"; Hon. James M. Beck, formerly Assistant Attorney-General of the United States, made an interesting address on "The Case of the Lost Million." Resolutions were adopted favoring an American mercantile marine.

The election of officers resulted in the choice of *William A. Law, first vice-president First National Bank, Philadelphia, as president; James K. Lynch, vice-president First National Bank, San, Francisco, vice-president; Fred E. Farnsworth was reëlected secretary; W. G. Fitzwilson, assistant secretary, and J. W. Hoopes, cashier City National Bank, Galveston, Texas, was reëlected treasurer.

Just prior to adjournment resolutions were unanimously adopted thanking the bankers of Richmond, the people, the press and the various organizations, for contributing to the warm welcome the bankers received.

*A portrait of Mr. Law is presented in this number of The Bankers Magazine as a frontispiece.

Seattle, Washington, was selected as the place for holding the 1915 convention, the exact date to be fixed later.

TRUST COMPANY AND SAVINGS BANK SECTIONS

MOST interesting sessions were held by the Trust Company Section and by the Savings Bank Section.

Secretary Babcock's report showed a membership of 1,201 for the Trust Company Section. Interesting and valuable addresses were made before the meetings of the Section by a number of prominent bankers and others. H. Parker Willis, former associate editor of the New York "Journal of Commerce." spoke on "The Future of State Institutions Under the Federal Reserve Act": and there were a number of letters read from prominent bankers in regard to the operation of the Federal Reserve Act, supplemented by a running discussion of the measure.

An interesting feature of the session was the annual address of the president of the section, F. H. Goff, president of the Cleveland Trust Company. A "Model Trust Company Law" was discussed and reports received from the various States regarding trust company conditions, and the following officers were elected: President, Ralph W. Cutler, president Hartford Trust Company, Hartford, Ct.; vice-president, John H. Mason, vice-president Commercial Trust Company, Philadelphia; chairman executive committee, R. L. Rutter, vice-president Spokane and Eastern Trust Company, Spokane, Washington.

SAVINGS BANK SECTION

REPORTS of the secretary and of the various committees showed that the Savings Bank Section is doing excellent work. and as said by President J. F. Sartori in his annual address the section "has again justified itself and demonstrated its usefulness."

A very valuable paper on "Savings Bank Securities in the Light of Recent Events" was read by A. M. Harris of Harris, Forbes & Company, New York. E. C. McDougal, president of the Bank of Buffalo, and a member of the commission appointed to revise the

WM. G. FITZWILSON
ASSISTANT SECRETARY AMERICAN BANKERS ASSOCIATION

banking laws of New York, told of "Recent Amendments to the Savings Bank Laws of New York, and the Reasons for Such Amendments."

These officers were elected: President, William E. Knox, comptroller Bowery Savings Bank, New York; vice-president, Newton F. Hawley, treasurer Farmers and Mechanics Savings Bank, Minneapolis; members executive committee, George E. Edwards, president Dollar Savings Bank, New York; Joseph R. Noel, president Northwest State Bank, Chicago; W. R. Meakle, secretary Paterson Savings Institution, Paterson, N. J.; James Dinkins, vice-president Jefferson Commercial and Savings Bank, Gretna, La.

NOTES

—No wonder Richmond got a Federal Reserve Bank. It knows how to ask for what it wants and to take care of what it gets.

—Richmond was so sorry to lose the bankers that it shed tears copiously over their departure.

—The Richmond newspapers gave most complete reports of the proceedings, and did not confine their accounts to the merely picturesque features, but presented a fair idea of what was done and said, even publishing several of the addresses in full. The "News Leader's" reports were especially notable. Unfortunately, the composing-room ran short of the letter "s," and had to use the dollar mark as a substitute in making up its report.

—As chairman of the entertainment committee, Col. Hill had a prominent share in making the convention a success. His work was loyally seconded by every member of the committee, and each of the several important committees labored hard and effectively in making the Richmond convention so thoroughly enjoyable.

COL. JULIEN H. HILL
CASHIER NATIONAL STATE AND CITY BANK, RICHMOND, VA.; CHAIRMAN ENTERTAINMENT COMMITTEE

—The "official attendance" was placed at 2,800 and the total number including visitors, 3,500.

—Richmond furnished ample hotel accommodation, and in every way fully justified its reputation as a convention city.

—The report of Miss Marian Glenn, Librarian, gave this interesting summary of the work of the Library and Reference Department:

To summarize briefly, for the benefit of new members and those who may not have read previous reports, it may be said that in the Library and Reference Department the American Bankers Association has:

A bureau of information which answers questions from association members on banking, currency and general business subjects.

A reference service for securing special information wanted by bankers, either for use in their daily business, or for legislative arguments, convention addresses, or A. I. B. discussions; new ideas in bank management or advertising; and general study purposes of bank officers and clerks.

A book collection of about 2,200 volumes on money and banking, including bound financial periodicals, government documents and statistical manuals.

A traveling loan collection of nearly 23,000 banking and currency articles, addresses, pamphlets, monographs, mounted clippings, magazine excerpts, etc., containing information on banking practice which would otherwise be unobtainable from any one source, as it cannot be had in book form.

A card catalogue index of all books, bankers association proceedings, bound sets of financial periodicals, Comptroller's reports, government publications,

bank commissioners' reports, bank histories, statistical sources and reference books in the library.

A complete record of the Federal Reserve System in the form of thousands of press clippings arranged to form a chronological history of currency controversy since 1907; pamphlets; a loan collection of mounted clippings; and a daily index of all references in financial periodicals to the new banking and currency system since its enactment.

—A Credit Men's Section has been organized in connection with the association, and these officers were chosen: Oliver J. Sands, president of the American National Bank, Richmond, president; E. S. Kennard, cashier Rumford National Bank, Rumford, Me., vice-president; executive council, O. E. Doty, Third National Bank, Springfield, Mass; Charles E. Meek, American Exchange National Bank, New York city; J. H. Puelicher, Marshall and Ilsley Bank, Milwaukee, Wis.; George L. Tickner, National Bank of Syracuse, N. Y., and E. M. Wing, Batavian National Bank, La Crosse, Wis.

—Secretary Farnsworth's annual report showed a membership of 14,720 on August 31, compared with 14,100 on August 31, 1913—an increase of 620.

Federal Reserve Banks to Open Nov. 16

Beginning of Operation of New System Believed to Offer Substantial Aid to Business Situation

On October 23 Secretary McAdoo announced that the new Federal Reserve Banks would open for business on Monday, November 16. In his statement referring to the opening of the banks Mr. McAdoo said that the new reserve requirements would release more than $400,000,000 of reserve money and largely increase the credit facilities of the banks of the country. His statement follows:

"The Federal Reserve Act imposes upon the Secretary of the Treasury the duty of announcing 'in such manner as he may elect the establishment of a Federal Reserve Bank in any district.' In the discharge of that duty I have determined to announce on the 16th day of November, 1914, the establishment of the Federal Reserve Banks in all the Federal Reserve districts. On that date the new reserve requirements for national banks, as prescribed by the act, will become operative.

"I am impelled to this decision particularly because of the emergent conditions in the South and the confident belief that the prompt opening of the reserve banks will be very helpful to the cotton situation and to general business in all sections of the country.

"This conclusion has been reached after a thorough discussion with my associates on the Federal Reserve Board, who are coöperating cordially with me, and also after full consideration of the views expressed by the directors of the Federal Reserve Banks at their recent conference in Washington with the Federal Reserve Board.

"I am fully aware of the physical difficulties that must be overcome to set the reserve banks in motion on the 16th of November, but the directors of these banks represent the highest degree of American banking ability, and

I am sure that not only can they meet the situation, but that they will cheerfully take up the task in the same fine spirit of public service which animated their discussions at the Washington conference.

"As the result of the enactment of the war revenue measure, the parity between receipts and disbursements of the Treasury will soon be happily restored. This will make it possible for the Treasury to render still greater service than it has already rendered in helping the financial situation in the South, and in other parts of the country where the need has appeared. The prompt opening of the Federal Reserve Banks will make the assistance of the Treasury doubly powerful because the Federal Reserve Act authorizes the Secretary of the Treasury, in his discretion, to deposit a large amount of the moneys held in the 'general fund' in the Federal Reserve Banks, and to require such banks to act as fiscal agents of the United States; and also, in his discretion, to deposit the revenues of the Government, or any part thereof, in the reserve banks, and to make disbursements by checks drawn against such deposits.

"Under the present system the Secretary of the Treasury cannot with prudence scatter the 'general fund' of the Treasury among the great number of widely separated national banks throughout the country. Up to the present time I have gone as far in that direction as I have felt that it was wise to go, but with the larger powers conferred by the Federal Reserve Act and the use which I may be able to make of the Federal Reserve Banks as fiscal agents of the Government, it will be prudent and wise to deposit a large amount of the 'general fund' of the Treasury in the Federal Reserve Banks.

"As soon, therefore, as the reserve banks are in operation, I shall transfer to them as large an amount of Government funds as possible; this will, in turn, enable them to extend enlarged credits to national banks and State banks which may become members of the Federal Reserve system, which, in turn, may extend to their customers. By this means and through the agency of the Federal Reserve Banks, I hope to give additional assistance to that already given by the Treasury Department to the cotton producers, the cotton industry and the business men of the South.

"The new reserve requirements which will become operative on the 16th day of November, upon the opening of the Federal Reserve Banks, will release more than $400,000,000 of reserve money and largely increase the credit facilities of the banks of the country."

Important Financial Events

THE present month will witness some exceedingly important events, the one of most moment being the opening of the twelve Federal Reserve Banks on November 16.

Another important matter is the beginning of work on a plan to raise $185,000,000 as a cotton loan fund to carry the cotton raisers over the crisis due to the war.

Already the gold syndicate of $100,000,000 is operating to relieve the foreign exchange situation.

These devices have been made possible by active and cordial coöperation between the banks and the Government. Taken in connection with the growth in exports, they give hopeful promise of the gradual approach toward more normal conditions in the country's commercial and financial situation.

Seward Prosser

PRESIDENT BANKERS TRUST COMPANY, NEW YORK

BENJAMIN STRONG, JR., having resigned the presidency of the Bankers Trust Company to become Governor of the Federal Reserve Bank of New York, Seward Prosser was chosen to succeed Mr. Strong as president of the Bankers Trust Company.

Mr. Prosser was for many years with the Equitable Life Insurance Company and subsequently formed the insurance firm of Prosser & Homans. At the time of the organization of the Astor Trust Company Mr. Prosser was elected vice-president, where he remained until March, 1912, when he became president of the Liberty National Bank.

Foreign Banking and Finance

European

ENGLISH BILLS OF EXCHANGE ACT

AN important step toward the protection of bankers and others concerned in the foreign exchange market has been taken in the passage by Parliament of the bills of exchange act of 1914. In conjunction with the $100,000,000 fund being raised in the United States for the rehabilitation of the foreign exchange market, it is believed the new act will have a far-reaching effect.

The full text of the act will be of interest to the financial world. It reads:

1. Without prejudice to the operation of sub-section 1 of section 46 of the bills of exchange act, 1882, delay in the presentment for payment of a bill of exchange, where the proper place for payment is outside the British Islands, is excused if the delay is, or has been due, either directly or indirectly to circumstances arising out of the present war, or to the impracticability, owing to similar circumstances, of transmitting the bill to the place of payment with reasonable safety.

2. Where in any action or proceeding upon a bill of exchange payable outside the British Islands it is shown to the court that the bill has been lost, and that the loss can reasonably be presumed to be due to circumstances attributable directly or indirectly to the present war, the court may allow proof of the bill to be given by means of a copy thereof by a notary public or by means of such other evidence as the court may think reasonable under the circumstances: Provided that such indemnity be given against the claims of other persons as the court may require.

3. His Majesty may, by order in council, at any time determine the operation of this act, or provide that this act shall have its effect subject to such limitations as may be contained in the order; but subject to the operation of any such order in council this act shall have effect during the continuance of the present war and for a period of six months thereafter.

The meetings of bankers which have been held in the Royal Exchange every past Tuesday and Thursday for many years past for the purpose of fixing exchange rates, but which were recently suspended, have now been resumed.

EMERGENCY CURRENCY IN ENGLAND

THE European war has compelled a resort to emergency currency in England. The notes issued are for one pound sterling and for ten shillings. It has been publicly stated by the Chancellor of the Exchequer that the notes can be changed for gold at the Bank of England. Until recently, however, there was no fund specially allocated to meet these notes, but that did not matter, because such is the confidence of the whole country in the Government that very few wished to cash their notes. A fund has now been started with £3,000,000 of gold.

The new notes are issued to all the recognized banks according to their several requirements, and they are "treated as an advance by the Treasury, bearing interest from day to day at the current Bank of England rate. the security for the Treasury advance consisting of a floating charge on the assets of the bank up to the amount of the notes issued. The bank is permitted to repay the whole or any part of any advance at any time."

The number of notes issued to any one bank, and to all, is limited at the

discretion of the Treasury, but the most important fact is that the banks have to pay for the privilege of obtaining them for their own convenience. This interest is governed, as already intimated, by the Bank of England rate, and the percentage paid by the banks probably more than covers the cost of making and distributing the notes, so that in all probability a small revenue to the State may accrue. The Government charge must also have the salutary effect of preventing the putting into circulation of an unnecessary quantity of paper tokens.

In the circumstances it is natural that bankers should be anxious to reduce their holdings of notes as largely as practicable at the earliest possible moment to save expense. Recently the "currency note redemption accounts" consisted of nearly £11,000,000 in Government securities and about £6,000,000 as a balance at the Bank of England, plus £3,000,000 in gold earmarked for the same purpose. But later the total of these funds has been increased to about £21,000,000, of which nearly £11,000,000 consists of Government securities and £7,000,000 as a balance at the bank.

Banks receiving notes for issue must pay for them, plus interest at bank rate. Such payments to the Treasury are either immediately applied to cancelling notes that have returned from circulation or, if any sums exceed the amount of notes returned, these are carried to a separate account in the books of the Bank of England and applied also to the cancellation of notes as and when returned later from circulation.

SPAIN DESIROUS OF INCREASING TRADE RELATIONS

FROM a telegram sent by the American Embassy at Madrid it is learned that the Spanish Minister of Foreign Affairs states that the Bank of Spain will try to establish a branch in the United States similar to the branches which it now has in Paris and London. He added that he hoped an American financial institution might be located in Madrid.

The Minister of Foreign Affairs also urged the advantages which would accrue from a direct American steamship line to Mediterranean ports whose ships would touch regularly at Cadiz or Vigo, promising regular and improved through railroad facilities from these points and also proper railroad communication to Madrid.

The present attitude of the Spanish Government offers a great commercial opportunity to the United States, and it is urged that advantage be taken of it.

Australasian

COMMONWEALTH BANK

FOR the half-year ended June 30 the profit and loss account of the Commonwealth Bank of Australia made the following showing: Amount from last account, £45,089 8s. 8d.; profits for half-year, £8,093 8s. 5d.; balance carried to next half-year, £36,995 14s. 10d.

Deposits, accrued interest and rebate on June 30 amounted to £4,559,264, while the savings bank department reported depositors' balances with interest accrued, £4,645,268.

AUSTRALASIAN BANKING

REVIEWING a table of Australasian bank returns for June 30, the "Australasian Insurance and Banking Record" says:

The compilation, as it thus stands, shows a resumption of progress on a substantial scale, after the moderate progress shown by the two previous half-yearly complications and the slight retrogression which took place about two years ago. So far as the renewed growth of deposits is concerned, the recent increase has also been apparent in the quarterly average returns, which relate simply to the business of the

banks in Australia and New Zealand, in contrast with the balance-sheets, which cover the whole of the banks' transactions, including London. The effect of increases of capital and additions to reserve funds has also been somewhat marked, even after allowing for a readjustment made on the present occasion in the method of stating the net capital of one institution in our table. The aggregate of the balance-sheet totals is now £262,240,714, or an increase of £14,107,353 as compared with the totals published six months ago. The half-yearly movements for the last four and a half years are stated as follows:

		Increase.
Dec. 31, 1909.....	£209,009,367	......
June 30, 1910.....	222,437,543	£13,428,176
Dec. 31, 1910.....	230,161,075	7,723,532
June 30, 1911.....	243,929,673	13,768,598
Dec. 31, 1911.....	246,003,672	2,073,999
		Decrease.
June 30, 1912.....	245,494,516	509,156
Dec. 31, 1912.....	244,654,800	839,716
		Increase.
June 30, 1913.....	245,816,601	1,161,801
Dec. 31, 1913.....	248,133,361	2,316,760
June 30, 1914.....	262,240,714	14,107,353

The latest increase of £14,107,353 exceeds those shown in the compilations to June 30, 1910, and June 30, 1911. If the comparison be taken according to annual periods, the increases have been as follows:

To June 30, 1911..............	£21,492,130
To June 30, 1912..............	1,564,843
To June 30, 1913..............	322,085
To June 30, 1914..............	16,424,113

The Commonwealth Bank figures are not included. Setting aside the savings bank department of that institution, its balance-sheet total would be £5,128,-422.

During the past year the shareholders' funds show an apparent increase of £3,436,279. But as the net actual capital of the Commercial Bank of Australia is now taken into the capital column, in place of the total amount

previously shown, the real increase in shareholders' funds for the year is £4,278,138. Of this amount, £2,069,794 is due to new capital, and £2,187,000 to additions to reserve funds, partly out of profits and partly out of premiums on new issues of shares. A detailed statement of the increases for the years is as shown herewith.

Liabilities to the public show an increase of £12,987,834 for the past year, but of this £841,859 is due to the alteration in the method of tabulation above stated, leaving a net increase of £12,145,975. This follows the decrease of £1,136,760 for the previous twelve months. The grand total of deposits, etc., is now close upon £200,000,000. The increase in liquid assets during the past year has been £14,807,411; and the proportion of liquid assets to the total is now a high one. Gold has accumulated in Australasia, and London balances have also become large in consequence principally of the change in the trade balance produced by the record exports of Australasian produce during the 1913-'14 season, accompanied by the large London borrowings of some of the State governments. The expansion in the export trade has added to

ADDITION TO PAID-UP CAPITAL AND RESERVE FUNDS.

	Capital Paid-up.	Reserve funds.
Australian Bank of Commerce	£193	£20,000
Bank of Adelaide	......	20,000
Bank of Australasia	400,000	680,000
Bank of New South Wales	246,460	200,000
Bank of New Zealand	269,690	175,000
Bank of North Queensland	441	2,500
Bank of Victoria	......	40,000
City Bank of Sydney	......	4,500
Colonial Bank of Australasia	......	20,000
Commercial Bank of Australia	60,903*	......
Commercial Banking Company of Sydney	250,000	100,000
Commercial Bank of Tasmania	25,000	35,000
English, Scottish, and Australian Bank	......	50,000
London Bank of Australia	......	100,000
National Bank of Australasia	......	65,000
National Bank of New Zealand	250,000	145,000
National Bank of Tasmania	......	4,000
Queensland National Bank	66,582	24,000
Royal Bank of Australia	......	20,000
Royal Bank of Queensland	525	2,000
Union Bank of Australia	500,000	460,000
Western Australian Bank	......	20,000
	2,069,794	2,187,000

*Increase in net actual capital.

the volume of exchange transactions. Discounts and advances show an increase of £1,594,973 for the past year, but the total is still less by £2,633,633 than that shown two years ago, though in the meantime liabilities to the public have grown by about eleven millions. The position altogether is a very strong one.

NATIONAL BANK OF AUSTRALASIA

THIS institution, whose head office is at Melbourne, has declared a dividend at the rate of seven per cent. out of earnings for the semi-annual period ending September 30, and added £25,000 to the reserve fund.

SAVINGS BANK OF SOUTH AUSTRALIA

THIS institution, located at Adelaide, reports income for the half-year ended June 30, £351,896; depositors' balances with interest thereon, £9,018,836; total resources, £9,374,133. The bank has 212,236 interest-bearing accounts—the largest number ever reported.

The Savings Bank of South Australia was established in 1848. It is guaranteed by the Government.

BANK OF ADELAIDE

OUT of the earnings of the current half-year the Bank of Adelaide has declared a dividend at the rate of eight per cent. and carried forward £39,634.

Latin-America

BANKING CONDITIONS IN HONDURAS

WRITING under date of September 24, United States Consul E. M. Lawton, at Tegucigalpa, gives the following interesting account of banking and financial conditions in Honduras:

In normal times the monetary condition and practices of Honduras present an interesting and not common study, and since the present disturbances in Europe began the situation has become even more complicated. By reason of the large fruit industry on the north coast and the mining operations on the Pacific side, with lack of connecting transportation facilities, there is frequently created a false condition so that ordinary economic laws become non-effective.

There are at present two banks of issue in Honduras, the Bank of Honduras with headquarters in Tegucigalpa, and the Banco Atlantida at La Ceiba. The Banco de Comercio, in the capital, has a petition pending before the Government for issue privilege, but the same has not yet been decided. The Banco Atlantida is not yet doing a large business in the interior of the Republic, its operations being confined principally to the fruit interests around Ceiba. The Banco de Honduras has a paid-up capital of 417,500 pesos and can issue double that amount in bills, but it actually has issued about 600,000 pesos. Heretofore certain of its bills were countersigned in such a way as to circulate only on the coast, in order to guard against the withdrawal of silver from their agencies on the north coast,

as gold can be more profitably purchased there, while otherwise the silver would have to be brought across country, a seven-day trip to the capital. However, as this was a hardship on travelers who would have to burden themselves with silver or suffer a discount on bank notes, the Banco de Honduras is gradually withdrawing the notes heretofore exclusively intended for circulation on the north coast.

There is in circulation about 700,000 pesos of bank notes. Of silver money, the amount is variously estimated by the different banking interests at 1,000,000 to 2,000,000 pesos. No gold coins are in circulation, and only a few thousand pesos in copper coins of one or two centavos. It is probably not far off the mark to say that the active circulation of silver pesos and fractional silver money is about 1,250,000 pesos. This is made up of silver coinage of all Central and South American countries, those of Chile, Peru and Guatemala predominating. There is only a small amount of Honduras pesos, owing to the fact that the Honduras peso, being coined from native unrefined silver, has a considerable amount of gold in it, and has almost disappeared from circulation because it was exported as bullion. Only Honduras bank notes are current, but when one goes to the bank to secure a quantity of silver he is paid indiscriminately in the silver money of possibly a dozen or more countries. Barely 25,000 pesos in Honduras money has been coined within the last two years.

The American industrial enterprises operating in Honduras regulate the value of exchange. Along the north coast are fruit interests that supply more than half the total exports of the country. On the southern, or Pacific, slopes are the mining interests whose products form about one-third the gross export values. Exchange is therefore placed on the market solely to provide silver with which to pay the wages and running expenses of these two great industries. Moreover, as the supply of silver is limited, the companies must anticipate their demands and carry on hand one or two months' supply in addition to cash for current use. One large American mining company near this city purchases about 120,000 pesos monthly. It is obvious, therefore, that the mining and fruit companies can easily have on hand at all times fifty per cent. or more of all the silver in circulation. The price of foreign exchange is, therefore, a very fluctuating matter and not governed by the price of silver in New York or London.

The price of silver pesos is simply a question of supply and demand. If the mining company is short of silver and the merchants are loath to give it up the company must pay a higher price for this commodity, or, in other words, the rate of premium will drop. If, on the other hand, the company is supplied with silver and does not need to sell drafts on New York, the rate rises, or it pays a smaller amount of gold for the silver it purchases. The fruit companies on the north coast

must operate in the same manner, and, as the coast is remote from the capital because of a lack of transportation, the influences there felt are quite independent of those affecting the southern section. Thus two independent circles of silver supply in the Republic are formed. At times, however. an artificial scarcity is produced in either circle for the benefit of some private interest. For example, the banking and mining interests in the south may purchase pesos on the north coast and bring them overland to the interior, thereby creating a scarcity and forcing the fruit interests to raise their purchasing price of the peso, which varies at times from 40 to 44 cents gold.

During the last two years large exports of cattle have been made to Guatemala. Buyers came with New York gold drafts, and these drafts absorbed the surplus silver of the Pacific circle, with the result that the general consumers of silver had to come down with their rate and indirectly provide the merchants with cheaper gold than was their intention originally. Since it is more difficult to raise the rate than to drop it, the rise was necessarily gradual, the merchants being loath to pay ten to twenty points more for gold than they did a couple of months previous.

When the European war began the banks in Honduras made no attempt to manipulate the price of silver. As the industrial interests had a fair supply on hand the rate of exchange on New York began to be governed by the price of refined silver. A peso of Honduras currency weighs twenty-five grams and is 900 fine, being equal to 0.723376 troy ounce of fine silver. The last New York quotation on silver before the war was 52 cents. The value of a silver peso is, therefore, 37.61 cents gold, representing a theoretical premium of 165.89 per cent. This is at present the selling rate (nominal) of the Banco de Honduras. The mining interests are selling ten-day sight drafts at 156 per cent. and the Banco de Comercio has placed its selling rate at 150 per cent. for sight checks.

From the north coast advices come that sols have dropped to forty-one cents, making a rate of nearly 144 per cent. The German trade has heretofore had little influence in affecting the price of exchange, as foreign European accounts were paid largely by exports of hides, rubber, coffee and some little bullion.

Some merchants in Tegucigalpa have received advices from their European correpondents to accumulate the funds due them for orders now pending, or sent them in the past, with affiliated houses in the United States. Some merchants are, therefore, purchasing United States exchange, while others prefer to pay interest. While a considerable amount of new business has already been sent in orders to the United States, other merchants have been informed by their New York cor-

respondents that orders can be filled only with cash on hand, owing to moratorium laws already established in other countries. Others write that orders cannot be filled at all, thinking possibly that Honduras merchants will be unable to purchase American exchange and remit when accounts are due.

This point may have been exploited for their own benefit by some merchants of doubtful standing, but the fact is that no moratorium law exists in Honduras. The president of the Republic and bankers have assured foreign interests that no reason exists for declaring any such measure and that none will be declared. As the sources of the exchange supply are American, and as the exports of Honduras, even before the present European disturbance, were ninety per cent. American, these enterprises must still produce and sell sufficient exchange here to meet all the demands of commerce even should a moratorium banking law be established. The statement was to-day made to the writer by the leading banker of Honduras that never before in the history of Honduras were the finances of the Government in so good a condition or its credit so well established, and that all interior obligations of the Government are being met promptly and will continue to be paid on the dot.

GOLD POOL FOR LATIN AMERICA

ADDRESSING a meeting of New York Credit Men on the evening of October 15, John Barrett, Director-General of the Pan-American Union, suggested the formation of a gold pool or syndicate as a means of increasing trade between Latin America and the United States Mr. Barrett said:

Had the banks of New York heeded my representations of former years and established in good working order branches in the principal commercial centers of Latin America, before the present crisis arrived, this city and the country at large would be in a position of extraordinary advantage to secure a large portion of the Latin American trade which is regularly carried on with Europe. While I have no sense of exaltation, it is a clear case of "I told you so," and gratifies me only in the degree that it justifies a position and argument which many bankers of New York city almost ridiculed when I first proposed it.

The action of the National City Bank in opening banks in several of the principal cities of South America is an important step forward, and exactly in line with what I urged them to do several years ago. The passage of the Federal Reserve act, with its provision for the establishment by national banks of branches in foreign lands, enabled it to undertake this new responsibility, and it is to be congratulated upon entering the field. If the facilities, however, which it should provide had been ready and in operation at the outbreak of the war, not only the manufacturers, exporters and importers of the United States, but the commercial and financial interests of all Latin America would have been saved much of the present loss of trade, financial embarrassment and great inconvenience.

What Latin American business men need at the moment is just what a large portion of the business men of the United States need—namely, reasonable credits upon which to make purchases and actual markets for such raw products as usually go to Europe. Although it is true that much of Latin America is suffering from a severe financial stringency, there is too strong a tendency here to exaggerate it or to discuss it as if it were a condition of Latin America alone, and not of all America with the exception possibly of a few countries or States which have been more fortunate than the majority. There is nothing in all Latin America worse, for example, than the cotton situation in our own South, and if the corresponding interests of a nation like, for instance, Brazil or Chile, could have the benefit of such a financial pool as is being

organized by the bankers of this country to help the cotton men, they would show a recuperative power that would surprise the world and enable them to increase vastly their purchases in the United States.

The war completely upset the commercial and financial situation in most of Latin America. Speaking figuratively but practically it threw a big "monkey wrench" in the very centre of the most delicate machinery of its international, financial and trade relationships and activities. As the foreign banking and credit arrangements and facilities of most of the Latin American commercial centres were almost exclusively with the financial centres of the nations now at war; as the buyers of Latin America were carrying large credits for purchases in Europe when the war broke out and cut them off, and as Europe was in turn owing Latin America large sums, which have not been paid, for raw products, the war brought on unavoidably and unexpectedly an unfortunate financial and commercial situation in Latin America for which she is not to blame. The peculiar combined responsibility and opportunity, therefore, of the United States is to devise ways and means of helping out Latin America while legitimately helping herself—and that help lies largely in reasonable credits and increased trade respectively.

That the Latin-American field is in truth one of vast importance, despite present conditions, is proved beyond question by the fact that last year the twenty countries reaching from Mexico and Cuba south to Argentina and Chili conducted a foreign trade valued at the immense total of nearly $3,000,000,000, almost equally divided between exports and imports. That there is opportunity for the United States is proved by the fact that nearly $2,000,000,000 of this exchange of products was with Europe.

But right here I must destroy a bogie. It is remarkable how general the impression is that the United States is far behind other countries in its Latin-American trade. idea is strengthened by the superficial , articles, interviews and speeches of men who have not closely studied the situation. I will kill this bogie by stating the simple fact that the United States carried on a larger trade, a greater exchange in volume and value of products with all Latin-America during the last year before the war than did any other individual country like Great Britain, Germany or France! In other words, the United States bought and sold with the twenty Latin-American countries products valued approximately at $850,000,000, which is far in excess of the total transactions of any other individual land. While it is true that, in the ten countries of South America proper, the United States was not first, it was a close third, coming after Great Britain and Germany; and, on the other hand, the United States made a greater increase during the last decade in percentage of volume and value of trade in that limited field than did either Great Britain or Germany.

FREE COINAGE OF SILVER IN PERU

THE Government of Peru, by a resolution dated August 27, 1914, authorized the national mint, for a period of thirty days, to coin in soles ($0.48) and half-soles ($0.24) any silver that is brought to the mint by individuals, charging only ten per cent. for coining the silver, the Government reserving the right to increase the rate for coinage and costs after a period of thirty days.

This measure was probably taken to alleviate the financial stress in which the country finds itself, due largely to the temporary closing of the principal

banks of the country, which has had the effect of decreasing the circulation of silver coin and causing the withdrawal of considerable gold coin from circulation.

PROPOSED ARGENTINE BANK OF AGRICULTURE

THE special finance committee of the Argentine Chamber of Deputies has prepared its project for the creation of a Banco Agricola. The project provides that fifteen days after the promulgation of the law the Government shall deposit in the Caja de Conversion a bond for $100,000,000 gold and shall withdraw the equivalent of $50,000,000 gold in paper money at the conversion rate fixed by law 3871 and hand it over to the Banco de la Nacion, which will lend it to cattle breeders, agriculturists and manufacturers who employ national raw material in their manufactures. Loans to breeders and farmers shall be made for five years with quarterly amortization of five per cent. and six per cent. interest per annum. Loans to manufacturers shall be for one year. The bank is to give preference to small loans and in no instance is any loan to exceed $50,000. The bank is to be authorized to grant loans on warrants and agrarian properties. The balance of the bond is to be deposited in the Caja de Conversion for complying with later laws.

CREDIT CURTAILMENT IN VENEZUELA

THE American minister at Caracas writes that practically all, if not all, export commission houses in New York have refused to extend further immediate credit to their customers in Caracas. For example, an American who has been engaged in the sale of standard American manufactured articles on a wholesale scale in Venezuela for nearly twenty years and who during all that period has dealt exclusively with one of the largest commission houses in New York, remitted a considerable sum early in August, six weeks before payment was due according to the terms he had been granted. At the same time he filed a new order amounting to only one-fifth of the remittance made, expecting the usual terms of credit on this order. By return mail he was advised that further shipments could not be made, owing to existing financial conditions, and similar notices by mail, confirming earlier notices by cable, have been received by all dealers in this city.

The minister says that trade extension cannot be hoped for under such conditions, and respectfully suggests that it is imperative for the manufacturers and jobbers to grant credit to commission houses in order that the latter may in turn continue to extend credit of three months to the foreign trade.

BANCO DE NUEVO LEÓN

DESPITE the disturbed condition of affairs in Mexico for some time past, and although other banks in Monterry were compelled to suspend operations, the Banco de Nuevo León not only continued in business but was able to render about the usual service to its patrons, and reports earnings sufficient for an annual dividend of ten per cent. and the three classes of reserve funds united now amount to $919,682.79, or almost forty-six per cent. of the capital. The total resources of El Banco de Nuevo León on June 30 were $14,509,679.

REFUNDING OF BRAZILIAN DEBT

IT is announced that the Brazilian Government will fund for three years, from August 1, 1914, the interest on the entire external debt of the republic. It is also announced

that the Government has authorized the Rothschilds to issue five per cent. funding bonds in an amount not exceeding $75,000,000 as second charge on customs.

The proposed funding will cover all the interest on the sixteen existing loans and other minor payments.

In accordance with the plan, sinking funds and the redemption of existing loans are to be suspended for a period of thirteen years.

The new funding bonds are to be made redeemable by a half per cent. sinking fund applied half yearly from July 31, 1927, namely, ten years after the funding scheme ends.

Asiatic

BANK OF TAIWAN, LIMITED

THE Bank of Taiwan, Ltd., whose head office is at Taipeh, Formosa (Taiwan), reports gross profits for the half-year ended June 30, 4,859,188 yen, which added to the balance brought forward from last account, gives a total of yen 5,098,931. After providing for current expenses, a dividend at the rate of ten per cent. bonus, and addition of yen 180,000 to the reserve funds, 234,804 yen was carried forward to next account.

The total resources of the bank on June 30 were yen 92,027,221.

Banking and Financial Notes

EASTERN STATES

New York City

--Temporary quarters for the Federal Reserve Bank, District No. 2, embracing the State of New York, will be at 27 Pine street.

--Benjamin Strong, Jr., president of the Bankers Trust Company, was elected Governor of the Federal Reserve Bank of New York at a meeting of the directors on October 6.

—The recent statement of the Guaranty Trust Company of New York, issued in response to the call of the State Superintendent of Banks as of September 12, exhibits total deposits of $202,000,000, compared with $167,-000.000 one year ago—a gain of $35,-000,000 in twelve months. The total resources of this company now exceed $260,000,000.

—As a result of the recent distribution of the Year Books covering all phases of the activities of New York

Chapter of the American Institute of Banking for 1914-1915 and the opening rally at which there was an attendance of over 1,000 New York bank men, 300 new members already have been secured.

The unusually strong programme of educational courses presented this year has also been a large factor in the increase in membership which makes the total to date over 2,800.

In addition to the regular two-year course leading up to securing the Institute certificate, a preliminary course has been introduced together with many special lectures, covering all phases of banking with particular emphasis on the conditions produced by the European war.

Another feature contributing toward the increased membership is found in special meetings held by Chapter representatives in various banks and trust companies. At these meetings the men are fully informed regarding Institute work. A recent meeting in this connection was held at the Astor Trust Company. It was presided over by Consul Harry C. Bock and the speakers were Fred W. Ellsworth of the Guaranty Trust Company, J. A. Seaborg of the Bankers Trust Company and Harold S. Schultz, secretary New York Chapter.

—At the recent conference of directors of the various Federal Reserve Banks held in Washington four men prominent in New York Chapter of the American Institute of Banking were honored by being invited to participate. These were O. Howard Wolfe, president of New York Chapter and secretary of the clearing-house section of the American Bankers Association; Joseph A. Broderick, member of the board of governors of New York Chapter and examiner in charge of the credit bureau of the New York State Banking Department; Andrew A. Bento of Marwick, Mitchell, Peat & Company; and Ralph Dawson, assistant manager foreign department, Guaranty Trust Company of New York.

These men served on the preliminary organization committee which prepared a comprehensive plan covering the working plan of the Federal Reserve Banks.

—The American Exchange National Bank has issued a pamphlet containing the Federal Trade Commission Law and related acts. The pamphlet also contains a review of these important laws, written by John B. Daish, A. B., LL. M., a prominent interstate commerce lawyer of Washington.

It is generally understood that the Federal Trade Commission Law is broader in its application to business than any Federal legislation heretofore enacted.

—At a meeting of the board of directors of the Fifth Avenue Bank of New York, October 22, William G. Gaston was appointed cashier.

—Some changes have taken place in the process by which national banks throughout the country have been ac-

customed to replenish their five per cent. redemption fund by drafts on their New York correspondents.

Heretofore, the Government has been willing to accept through the Assistant Treasurer at New York drafts on New York. The Secretary of the Treasury has issued a circular to the national banks in general that such drafts will no longer be accepted.

It is understood that this expedient has been adopted in order to protect the supply of lawful money now held by the New York banks. This supply is not at present so great in view of the extraordinary strain on New York to meet foreign obligations incident to the European war. Also since the national banks throughout the country are taking out emergency currency, the volume of drafts on New York for replenishing the five per cent. fund has increased.

In order to check this the Secretary has sent a circular to the national banks and others concerned as follows:

"Circular No. 2 of May 12, 1914, providing the manner of making deposits by national banks to the credit of the five per cent. redemption fund, is hereby revoked to the extent whereby it permitted such deposits to be made by check drawn on New York and forwarded to the Assistant Treasurer at that point.

"Hereafter deposits by national banks to the credit of the Treasurer of the United States on account of the five per cent. redemption fund shall be made with the Treasurer or an Assistant Treasurer of the United States, and such deposits may only be made in either of these two ways:

"1. By a deposit of lawful money of the United States (or of gold when the five per cent. fund is for the redemption of additional currency issued under the act of May 30, 1908), with any Assistant Treasurer of the United States on account of the five per cent. redemption fund.

"2. By a remittance of lawful money of the United States (or of gold when the five per cent. fund is for the redemption of additional currency issued under the act of May 30, 1908), addressed to the Treasurer of the United States for credit of the five per cent. redemption fund. The express charges, if not prepaid, will be deducted from the proceeds of the remittance at Government contract rates.

"These are the two methods of making these deposits that were in force for many years and up to the issuance of the circular letter of March 10, 1913."

For such banks as find either of these methods inconvenient, the New York banks stand ready to honor drafts on them and to make the necessary deposits for their correspondents, reminding the latter, however, that a deposit of any of their idle currency in New York would be appreciated.

1865 1914

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126 West 42d Street
New York City

—When the New York Federal Reserve Bank opens on November 16 it is estimated that its resources will be in excess of $103,000,000.

—The Guaranty Club, composed of officers and employees of the Guaranty Trust Company of New York, at its annual meeting October 15, elected the following officers: President, Hy. R. Wohlers; vice-president, Carl W. Malzacher; secretary, E. J. Bleezarde; treasurer, G. C. Fincke.

Mr. Wohlers, who is secretary to President A. J. Hemphill, has served on various committees of the club, and was the first editor of the club's official paper, the "Guaranty News."

The club has a membership of over 300, maintains a club room in the Guaranty Trust Company's building, holds periodical outings, an annual dinner, supports a thrift fund for the benefit of its members, and in various ways provides diversion, entertainment and instruction for the several hundred employees of the company.

—On October 15, the resumption of call loans on collateral was announced and the rate reduced from eight to seven per cent.

—Thomas Cochran succeeds Seward Prosser as president of the Liberty National Bank, Mr. Prosser having resigned to become president of the Bankers Trust Company.

Mr. Cochran goes to his new position from the Astor Trust Company, of which institution he was vice-president.

—Ronald H. McDonald has been elected vice-president of the Astor Trust Company.

—The annual meeting of the New York Clearing-House Association was held October 6 and the following resolution was passed:

"In view of the complex nature of the banking situation now existing and which seems likely to continue for at least some time, it is deemed important to the best interests of the New York Clearing-House Association that the present officers and committees of this association who have been handling its affairs should continue to do so for another year; now, therefore, we, the undersigned, composing all of the members of said association, do hereby request, and consent, that the election of officers and committees as provided in Article V of the constitution of this association be postponed until the annual meeting of said association in October, 1915; and that the present officers and committees shall continue to serve as such until that time, or until their successors are elected; and that the effect of the provisions of Section 3 of said Article V requiring at least two members of the several committees to retire each year, and of any other provision of said constitution necessary to be suspended in order to carry out the purpose of this consent, shall be suspended in the meantime."

The manager's annual report for the year ending September 30, 1914, shows total clearings of $89,760,344,971, against $98,121,520,297 the previous year. The average daily clear-

ings were $296,238,762 as compared with $328,833,400 last year. The itemized report for the fiscal year follows:

Exchanges	$89,760,344,971
Balances	5,128,647,302
Total transactions	$94,888,992,273

The average daily transactions:

Exchanges	$296,238,762
Balances	16,926,228
Total	$313,164,991

Total transactions since organization of clearing house (sixty-one years):

Exchanges	$2,509,034,041,053
Balances	117,797,140,257
Total	$2,626,831,181,311

Philadelphia

—Charles J. Rhoads, vice-president and treasurer of the Girard Trust Company, who heads Philadelphia's Federal Reserve Bank as Governor, has reached this important position at an early age, being only forty-two. He became associated with the Girard Trust Company in 1893, was made assistant treasurer in 1898, treasurer in 1900, and vice-president in 1904.

—The Germantown Trust Company recently reached its twenty-fifth anniversary, having been established in 1889 as the Germantown Real Estate, Deposit and Trust Company. Assets of the company have steadily grown until on September 16 last, they were $6,535,000.

—On November 12 and 13 the third annual meeting of the Investment Bankers Association of America will be held at the Bellevue-Stratford, Philadelphia.

—The Girard National Bank has the honor of furnishing the chairman of the Federal Reserve Bank of this city, the president, Richard L. Austin, be-

ing selected for that position. Mr. Austin as president of the Independence National Bank was influential in bringing about a merger of that bank with the Girard National in 1901, and he became vice-president, retaining that office until 1914, when he became president. Mr. Austin was born in Philadelphia in 1859.

Richard L. Austin
CHAIRMAN OF BOARD, FEDERAL RESERVE BANK OF PHILADELPHIA

—New York State will shortly have its new Land Bank in operation. Thirty-six of the savings and loan associations already organized, having total resources of over $17,000,000, have agreed to execute the organization certificate, while forty-eight associations, having total resources of over $25,000,000, have notified the Banking Department of their intention to become members at a comparatively early date.

With the operation of the Land Bank the farmers of New York State will be able to change their present mortgages into Land Bank loans. The State Banking Department in coöperation with the Agricultural Department and representatives of various agricultural interests and of savings and loan associations, has been working to bring the advantages of the system to the attention of the people of the State.

The difference between the ordinary mortgage and the Land Bank loan is in the method of paying off the principal. In the ordinary mortgage the borrower pays six per cent. interest each year, and his principal at the end of his loan. Under the Land Bank system the borrower pays part of his principal each year, in addition to his interest. If the farmers take advantage of the new system, they will effect a very substantial saving on their mortgage loans.

—The roll of honor of the State banks and trust companies of Mary-

land is a table prepared by the Bank Commissioner from the reports of condition made to the State Banking Department. To secure a place on the roll of honor a banking institution must show surplus and undivided profits in excess of its capital stock—that is, assuming the capital to be one hundred per cent., the surplus and profits must exceed that percentage. In other words, to be entitled to a place on the roll of honor, an institution must have, in the form of surplus and profits combined, an amount larger than its capital, and its numerical order on the roll of honor is based upon the percentage of this amount to its capital.

According to the last reports of condition to the Bank Commissioner, September 12, there were in operation in the State one hundred and twenty State banks and trust companies. Of these forty (or thirty-three and one-third per cent.) are entitled to positions on the roll as follows:

		Capital	Surplus and Profits	Per Cent.	Rank
Safe Deposit and Trust Co.	Baltimore	$600,000.00	$2,573,785.55	428.96	1
Manchester Bank	Manchester	10,000.00	41,901.47	419.01	2
Sudlersville Bank	Sudlersville	10,000.00	39,797.69	397.98	3
Lonaconing Savings Bank	Lonaconing	20,000.00	68,547.96	342.74	4
Union Mills Savings Bank	Union Mills	10,000.00	31,303.98	313.04	5
Westminster Savings Bank	Westminster	50,000.00	149,976.10	299.95	6
Hagerstown Bank	Hagerstown	150,000.00	405,885.01	270.59	7
Baltimore Trust Company	Baltimore	1,000,000.00	2,571,427.74	257.14	8
Union Bridge B'k'g & Trust Co.	Union Bridge	23,980.00	59,556.42	248.36	9
Caroline County Bank	Greensboro	12,000.00	29,743.64	247.86	10
Reisterstown Savings Bank	Reisterstown	10,000.00	23,830.07	238.30	11
Kent County Savings Bank	Chestertown	20,000.00	44,375.31	221.88	12
Myersville Savings Bank	Myersville	15,550.00	33,341.26	214.41	13
Mercantile Trust & Deposit Co.	Baltimore	1,500,000.00	3,208,901.82	213.92	14
Bank of Somerset	Princess Anne	50,000.00	98,994.05	197.99	15
Chestertown Bank of Maryland	Chestertown	26,575.00	50,854.72	191.36	16
Woodsboro Savings Bank	Woodsboro	25,000.00	45,079.82	180.32	17
Bank of Crisfield	Crisfield	50,000.00	86,062.02	172.12	18
Talbot Bank	Easton	25,000.00	40,648.96	162.60	19
Walkersville Savings Bank	Walkersville	25,000.00	40,082.66	160.33	20
Carroll County Savings Bank	Uniontown	20,000.00	28,239.74	141.20	21
Hancock Bank	Hancock	25,000.00	34,710.18	138.84	22
Hampstead Bank of Carroll Co.	Hampstead	20,000.00	27,422.13	137.11	23
Taneytown Savings Bank	Taneytown	25,000.00	33,736.72	134.95	24
Westminster Deposit & Trust Co.	Westminster	100,000.00	131,714.59	131.71	25
Church Hill Bank of Maryland	Church Hill	10,000.00	13,016.28	130.16	26
Eastern Shore Trust Co.	Cambridge	136,975.00	175,825.50	128.36	27
Fidelity Savings Bank	Frostburg	25,000.00	31,586.62	126.35	28
Bank of Delmar	Delmar	25,000.00	30,031.85	120.13	29
City Savings Bank	Hagerstown	50,000.00	58,358.38	116.72	30
Fidelity Trust Co.	Baltimore	1,000,000	1,165,959.88	116.60	31
Maryland Surety & Trust Co.	Hagerstown	150,000.00	174,233.77	116.16	32
Farmers Bank of Somerset Co.	Marion Station	15,000.00	17,344.67	115.63	33
Continental Trust Co.	Baltimore	1,350,000.00	1,485,573.47	110.04	34
Citizens Savings Bank	Thurmont	25,000.00	27,223.39	108.89	35
Hillsboro Queen Anne Bank	Hillsboro	10,000.00	10,818.20	108.18	36
Central Trust Co.	Frederick	200,000.00	213,977.86	106.99	37
Valley Savings Bank	Middletown	75,000.00	77,959.89	103.95	38
Boonsboro Bank	Boonsboro	25,000.00	25,255.27	101.02	39
Mercantile Bank	Baltimore	100,000.00	100,010.78	100.01	40

—Extensive improvements have been made in the home of the Lamberton National Bank, Oil City, Pa. Much additional space was gained by the alterations, and the furnishings of the bank have been brought up to modern standards.

—Alfred W. Hudson, an ex-president of New York Chapter of the American Institute of Banking, has been made president of the First National Bank of Syracuse, N. Y., succeeding C. W. Snow, who has retired. Mr. Hudson is an experienced banker. He was originally with the Fifth Avenue Trust Company, now the Fifth Avenue Branch of the Guaranty Trust Company of New York, and later was with the State Banking Department.

He has been prominently identified with New York Chapter of the American Institute of Banking for many years; has served the Chapter and the Institute in various capacities; and during his term as president of New York Chapter inaugurated a programme which has proved exceptionally practical and useful. Institute men all over the country will be glad to know of Mr. Hudson's preferment.

—The New York State Bankers Association has appointed a publicity committee composed of James H. Perkins, vice-president National City Bank, New York; Charles H. Sabin, vice-president Guaranty Trust Company, New York; W. W. Brundage, cashier Bank of Hammondsport; James G. Cutler, president Alliance Bank, Rochester, and F. W. Hyde, cashier National Chautauqua County Bank, Jamestown, N. Y.

—York county, Pa., bankers have formed an association which held its first annual meeting and banquet on October 12. Addresses were made by E. J. Cattell, City Statistician, Philadelphia; John M. Nelson, of Nelson, Cook & Company, Baltimore; A. B. Farquhar of York, and J. M. Logan, national bank examiner. An exceedingly hopeful tone pervaded the speeches.

—The Monmouth County (N. J.) Bankers Association in convention recently at Flemington, elected these officers: President, William A. Berry, cashier Seacoast National Bank, Asbury Park; vice-president, Fred F. Schock, cashier Spring Lake Bank; secretary and treasurer, R. C. Poole, cashier First National Bank, Belmar; member executive committee, G. A. Denise, cashier Central National Bank, Freehold.

—Buffalo Chapter of the American Institute of Banking held its opening meeting of the season on October 8. The principal speaker was Clifford Hubbell, president of the Central National Bank, his topic being "The Federal Reserve Act."

—While simple in design, the new building of the New Brunswick (N. J.) Trust Company, which was opened for business September 28, is very beautiful.

The building has a frontage of forty feet and is 105 feet in depth. The exterior is imposing and is composed of a handsome grade of Vermont marble. The interior is very artistic and complete in every detail. Over the entrance to the building is a clock in a bronze grill which is to be illuminated at night. The face of the clock is carved in Formosa marble.

—A new building will be put up by the Guardian Trust Company, York, Pa.

NEW ENGLAND

Boston

—Through the courtesy of the First National Bank of Boston the Boston Chapter of the American Institute of Banking now occupies quarters in the building of that bank.

These quarters comprise a suite of offices furnished in mahogany and lo-

cated on the Congress street side of the building. There the reference library will be kept and members will be able to visit it at any time.

Lectures in the education course will be held in Norcross Hall of the Boston Young Men's Christian Union.

—The Tremont Trust Company, a new Boston organization, began business at 14 State street, in that city, September 17. At the conclusion of its first month's business it had aggregate deposits of $296,000, and on November 4, $450,000, a most excellent showing. The company is capitalized at $200,000, with surplus of $50,000. The president is United States District Attorney Asa P. French; vice-presidents, Simon Swig, an important real estate operator of Boston; J. M. W. Hall, former mayor of Cambridge, and John N. Cole, former speaker of the House; treasurer, Ralph E. Parker, formerly of the Boston Stock Exchange; secretary, Charles Fleischer; assistant secretary, Isaac Cohen. The directors include representatives of many important lines of manufacturing and mercantile business.

—Alfred Aiken, president of the Worcester (Mass.) National Bank, has been elected Governor of the Federal Reserve Bank of Boston.

Mr. Aiken graduated from Yale with the class of 1891. In 1892-'3 he was connected with the State Mutual Life Assurance Company, and from 1894 to 1899 was assistant manager of the New England department of the New York Life Insurance Company. He served as assistant cashier of the State National Bank of Boston from 1899 to 1904, when he went to Worcester as treasurer of the Worcester County Institution for Savings, to the presidency of which he was elected in 1908. He continued in this capacity until he was elected president of the Worcester National Bank, in 1913.

He is a director of the Merchants National Bank of Boston, of the New England Casualty Company of Boston, secretary of the Norwich Nickel and Brass Company, a trustee of the Worcester Art Museum, and a trustee and member of the board of investment of the Worcester County Institution for Savings.

In 1909 he was offered the appointment of Assistant Secretary of the Treasury by President Taft, but declined.

—The National Shawmut Bank of Boston makes the following announcement:

"We have arranged for an agent to represent us in Buenos Ayres, Argentina, through whom we will obtain general and special reports on business conditions in that country. These reports will be made at our request at any time and will cover such matters as the market for our products, the opportunities for purchasing goods in South America and any other information which may be useful or necessary."

—George H. Burt, formerly cashier of the State Bank and Trust Company, Hartford, Ct., is now vice-president. Charles A. Lille has been promoted from assistant cashier to succeed Mr. Burt as cashier.

—This section of the country has a number of savings bank officials who have served their institutions for half a century or more, representing the very best type of bankers. Among such may be mentioned Thomas S. Birdseye, treasurer of the Derby Savings Bank of Derby, Conn., who entered the bank as a clerk July 1, 1860, and succeeded his father as treasurer in 1880. He has, therefore, been connected with the bank over fifty-four years and has been its treasurer thirty-four years. He has outlived six presidents and not one of the original board of trustees is now living. His son, Henry S. Birdseye, is the assistant treasurer of the bank and will succeed his father as treasurer. Largely as the result of the efforts of father, son and grandson the deposits of the Derby Savings Bank have increased from six thousand dollars in 1847 to almost as many millions in 1914.

—Members of the National Bank Cashiers Association of Massachusetts had their annual outing the latter part of September, meeting at South Lawrence for an automobile trip through Andover, North Andover, Lawrence and Methuen, with an incidental dinner at the Merrimac Country Club.

The officers of the association are: President, Fred L. Oaks, Framingham; vice-presidents, H. C. Robinson, Greenfield, and John F. Tufts, Watertown; treasurer, Fred B. Wheeler, Cambridge; executive committee, C. S. Putnam, Worcester; J. E. Varney of Lawrence, and Frank W. Dutton of Pittsfield; secretary, B. W. Guernsey, Wellesley.

—Members of the Berkshire Bankers Association had their semi-annual meeting and dinner at the Country Club, Pittsfield, Mass., on the evening of September 17, Charles E. Hibbard presiding. George B. Chandler, Compensation Commissioner of the State of Connecticut, was the principal speaker. He counselled against the passage of laws relieving the individual of responsibility, stating that such legislation means less efficient workmen.

—By November 15 work will be started on the new home of the Bridgeport (Ct.) Trust Company.

The new bank building will be fifty feet high, forty-four feet wide and 153 feet deep. The front will be of white granite and above the entrance there will be a window of bronze grilling and plate glass. The base will be of polished brass. The words, "Bridgeport Trust Company," will be lettered in bronze above the large window.

—On October 1 the City National Bank of Bridgeport, Ct., opened a saving department with interest at four per cent. payable the first of April and the first of October. This action was

taken in response to the request of patrons for a safe and reliable repository for large funds which shall at the same time be drawing interest.

The new department will have a capitalization of $250,000, a surplus fund of $500,000 and the stockholders' liability will be $250,000.

—The Home National Bank of Milford, Mass., is now installed in its new banking rooms in the Thayer Building.

—The Mechanics National Bank of New Bedford, Mass., took possession of its new building on October 13. It is of granite, and built in the modified Greek style, and is devoted entirely to the bank's use. It was built under the single contract system by Messrs. Hoggson Bros., New York, and in construction and equipment meets all the requirements of modern bank architecture and furnishing.

This is a very old bank, its original charter dating back to 1831.

—The Windham County National Bank of Danielson, Ct., has a new bank home, with complete equipment, including a large and strong vault and modern safe deposit boxes.

—The Beverly (Mass.) Trust Company is a comparatively new institution, having begun business on August 1, with capital of $100,000, surplus of $25,000 and deposits of about $60,000. The officers are: President, Ulysses G. Haskell, a well-known lawyer of Salem; vice-presidents, Augustus P. Loring, Jr., and Joseph F. Appleton; treasurer, Charles A. Pike, formerly cashier of the City National Bank of Holyoke; secretary, Charles A. King.

SOUTHERN STATES

—Speaking before the annual convention of the Kentucky Bankers Association at Lexington, September 23, the president of the association, Frank M. Gettys, vice-president of the Union National Bank, Louisville, urged the members of the association to take part in the discussions. He said:

"At the different group meetings I have expressed the opinion that the growing tendency of the members to import their speakers and do little or no talking themselves is a mistake. I would suggest that for the next year the group officers arrange their programmes so that set speeches on hackneyed subjects be put in the background and let the live problems of each section of the State occupy the forefront. There can be no life in a convention where there is no general discussion."

The association elected these officers: President, J. W. Stoll, president First and City National Bank, Lexington; secretary, Arch B. Davis, Louisville; treasurer, H. D. Ormsby, cashier National Bank of Kentucky, Louisville.

—Removal of the National Bank of Commerce of Houston, Texas, to the ground floor of the new Mason Build-

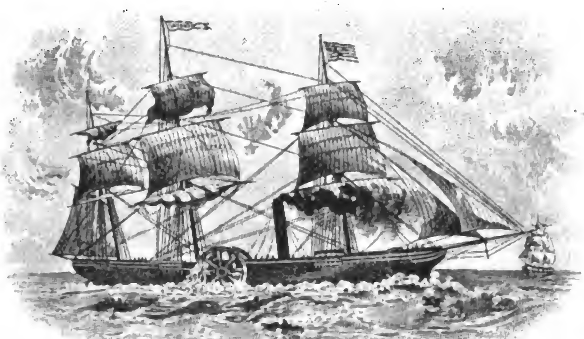
ing gives that institution very fine banking quarters and ample space for its growing business. This bank now has nearly 2,000 accounts and its total resources on September 12 were $2,-326,543.

—Through the courtesy of the Citizens and Southern Bank, Savannah, Ga., THE BANKERS MAGAZINE has received the accompanying illustration and information about the "Savannah," the first steam ship to cross the Atlantic Ocean.

—Birmingham, Ala., wishes to have a branch of the Federal Reserve Bank of Atlanta.

—The People's Savings Bank of Martin's Ferry, West Va., is to have a new building.

—Richmond perfected its organization of the Federal Reserve Bank for the Fifth District on October 5, by electing George J. Seay as Governor and James A. Moncure, secretary of the board.



STEAM SHIP "SAVANNAH," CAPT. MOSES RODGERS
THE FIRST STEAM SHIP THAT CROSSED THE ATLANTIC OCEAN.
WAS BUILT IN NEW YORK, AND SAILED MARCH 28TH, 1819, ARRIVED IN SAVANNAH AFTER A PASSAGE OF SIX DAYS, THENCE TO LIVERPOOL IN 18 DAYS. WHEN ENTERING THE ST. GEORGE'S CHANNEL OFF THE CITY OF CORK, SHE WAS DESCRIED BY THE COMMANDER OF THE BRITISH FLEET, LYING IN THAT CITY. SEEING A VOLUME OF SMOKE ASCENDING FROM THE STEAMER, HE NATURALLY CONCLUDED SHE WAS ON FIRE, AND WITH COMMENDABLE PROMPTITUDE DISPATCHED TWO CUTTERS TO HER RELIEF; ON BOARDING THEY FOUND HER ALL RIGHT. SHE STEAMED FOR LIVERPOOL; ON NEARING THE CITY THE PIERS WERE THRONGED WITH THOUSANDS OF PEOPLE, WHO GREETED HER WITH ENTHUSIASTIC CHEERS

This illustration is of special interest on account of recent efforts to revive our mercantile marine.

The following executive committee was elected:

William Ingle of Baltimore, Federal

Reserve Agent; George J. Seay of Richmond, Governor; Col. John F. Bruton of North Carolina, Class A director.

The quarters at 1109 East Main street, formerly the home of the Richmond Trust and Savings Company, were secured as the home of the new institution.

—State banks in Mississippi hereafter cannot lawfully pay more than four per cent. on savings accounts and time certificate deposits. The bank examiners have passed a rule that interest on savings deposits must be credited semi-annually; also that time on certificates of deposit shall be four months, with no interest payable after maturity for overtime.

—Consequent upon the recent death of President Youree of the Commercial National Bank of Shreveport, La., there have been some official promotions in that institution additional to the election of E. Kirby Smith as president, mention of which was made in last month's MAGAZINE.

A. T. Kahn, heretofore cashier, is now vice-president; A. H. Van Hook is advanced from assistant cashier to cashier, while E. A. Conway, Jr., and M. Ricks are new assistant cashiers.

—Dallas, Texas, had the pleasure and honor of entertaining this year's annual convention of the American Institute of Banking, H. J. Dreher of Milwaukee presiding. Wm. S. Evans was elected president to succeed Mr. Dreher, and San Francisco chosen as the place for the 1915 meeting.

WESTERN STATES

Chicago

—On October 5 the Continental and Commercial National Bank opened in its new building at La Salle and Adams street. The new bank and office build-

ing is twenty-two stories and represents an investment of $12,000,000. The banking floor space is divided between the Continental and Commercial National Bank, the Continental and Commercial Trust and Savings Bank and the Hibernian Banking Association —all affiliated institutions.

The occupancy of this great modern structure by the banks named represents a consummation of the growth that has taken place under the direction of Mr. George M. Reynolds, the president, a former president of the American Bankers Association, and one of the leading bankers of the country. The institutions referred to have combined deposits around $235,000,000, while the Continental and Commercial National alone ranks close to the head of banking institutions in this country.

The new building represents the best type of American commercial architecture, and affords banking accommodations of the most perfect kind. Descriptions and illustrations of the building, from the time it was planned until completed, have already appeared in previous issues of the Magazine.

—The Farm Mortgage Bankers Association of America held its first annual convention in this city October 7 and 8. There was a good attendance and much interest was shown. Hon. George E. Roberts, Director of the Mint, John Lee Coulter and others delivered addresses.

—Melvin A. Traylor is now vice-president of the Live Stock Exchange National Bank, coming to that position from the vice-presidency of the National Stockyards National Bank, East St. Louis, Ill. He was formerly president of the First National Bank, Ballinger, Texas.

—A committee of the Chicago Clearing-House Association reports that between August 1 and October 1 there has been a falling off of over $40,000,000 in deposits, while loans increased nearly $6,000,000. The extraordinary demands made upon the

banks have been met by some reduction in reserves, by the issue of clearing-house certificates and emergency currency. Defending an increase in the discount rate, the report says:

"There are therefore two good reasons why the discount rate should now be seven per cent. These are: First, the necessity of limiting the extension of credit to the actual, legitimate and urgent necessities of borrowing customers, because in consequence of their shrinking resources the banks have been in no position to extend credit freely, and, second, because the present extra cost of doing business more than offsets the profit derived from the increased rate of discount. This is evidenced by the fact that irrespective of losses the net profits of these six national banks for the current month of September are fifteen per cent. less than they were for the same month last year.

"The demand on Chicago banks for loans has been greatly increased by their having to protect their customers who have placed lines of commercial paper on the open market through brokers, largely with country banks, and to the extent which they have thus protected their customers they have at the same time relieved the country banks of their purchased paper.

"It is expected that before long the money now being realized on the large crops in the West, Northwest and Southwest will flow to the centers through the country banks. When this occurs Chicago banks should be able to resume more normal conditions. This, however. may be somewhat retarded should the unsettled conditions caused by the war be prolonged.

"Chicago banks have met the situation to the utmost of their ability in a helpful and patriotic spirit. They have not taken advantage of the situation to abnormally increase their profits, and they do not intend to.

"While the figures herein given relate only to the national banks, members of our clearing-house association, it is only fair to say that the thirteen State bank members, as well as the forty affiliated members, have met the situation with an equal spirit of helpfulness and patriotism, their statements recently published showing a decrease in their deposits of $35,280,941, while their loans showed a decrease of only $3,564,216."

—The capital of the Northern Trust Company, Chicago, has been increased from $1,500,000 to $2,000,000, a special dividend of thirty-three and one-third per cent. being declared to existing stockholders, who were allowed to subscribe for the increase at the rate of one share of the new stock for each three shares of the old. In addition to the capital of $2,000,000, the Northern Trust Company has $1,500,000 surplus and over $1,000,000 of undivided profits.

—Charles R. Holden, of the law

firm of Kraus, Alschuler & Holden, is a new vice-president of the Union Trust Company of Chicago, and will also act as the company's counsel.

—Accompanying its own statement, the German National Bank of Northern Kansas, at Beloit, publishes the deposits of each of the other banks in the county, its name heading the list as having the largest total.

—The Commercial-German National Bank, Peoria, Ill., issues a pamphlet showing the condition of each of the Peoria national banks at the date of the Comptroller's last call. Its total resources are over $2,000,000 above the next bank in size, and about one-third the total of the five national banks of Peoria.

—Iowa had on the first of September 799 savings banks, 305 State banks and nineteen trust companies—forty-five more in the aggregate since September 10, 1913. Their consolidated resources are $384,745,501.31.

—Wisconsin State banks, trust companies and mutual savings banks reported $241,006,120.52 total resources on September 12—a gain of $17,239,-677.98 since August 9, 1913. The number of institutions reporting is 664.

—The Mississippi Valley Trust Company of St. Louis was honored by having its vice-president, William McChesney Martin, appointed chairman of the board of directors of the St. Louis Federal Reserve Bank.

The other members of the board of directors of the St. Louis Federal Reserve Bank are: F. O. Watts, president Third National Bank, St. Louis; Walker Hill, president Mechanics-American National Bank, St. Louis; Oscar Fenley, Louisville, Ky.; Murray Carleton, St. Louis; W. P. Plunkett, Little Rock, Ark., and Leroy Percy, Greenville, Miss.

WILLIAM MCCHESNEY MARTIN
CHAIRMAN BOARD OF DIRECTORS, FEDERAL RESERVE BANK OF ST. LOUIS

—To secure better coöperation among bankers, and for the general welfare of the community, the Dodge County (Wis.) Bankers Development Association was recently formed at a meeting held at Horicon, and these officers elected: President, Charles Hawks, Horicon; vice-president, J. E. McClure, Beaver Dam; secretary and treasurer, G. H. Diekelman, Horicon.

—At the recent annual meeting of the Bankers Club of Des Moines, Iowa—a live organization of the bankers of that city—W. B. Martin, president of the Iowa Trust and Savings Bank, was elected president. Other officers elected for the coming year were: W. E. Barrett, cashier Valley National Bank, vice-president; Grant McPherrin, cashier State Bank, secretary and treasurer. Bert McKee of the Home Savings Bank and B. B. Vorse of the Century Savings Bank were elected members of the executive committee.

—Aggregate resources of the 538 incorporated banks and trust companies of Ohio on September 12 were $620,898,502.71.

—After occupying temporary quarters for some time, the Whitewater (Wis.) Commercial and Savings Bank has moved into its new and permanent

home. The bank commenced business a little over a year ago.

—What is described as one of the largest buildings now in course of construction in Iowa is the new ten-story Leavitt & Johnson National Bank building at Waterloo.

The building will be of steel and concrete construction and thoroughly fireproof. The front will be of cream terra cotta and tapestry brick. It will be one of the most modern office structures in the Middle West.

The Leavitt & Johnson National Bank and the Farmers' Trust Company will occupy a portion of the first floor. There also will be four shops on the ground floor. The second floor will be devoted to shops and the eight upper floors will be divided into office suites.

—Group Five of the Ohio Bankers Association met at Summerland Beach, Buckeye Lake, on September 23, the bankers of Fairfield and Licking counties being the hosts. H. B. Peters of the Fairfield National Bank, Lancaster, and chairman of the group, addressed the bankers reviewing the progress of the last year and dealing with the present situation, taking occasion to direct attention to the strong condition of the country's banks. A. H. Hally of Cincinnati spoke on European war credits, outlining the effects of the war upon banking and the remedies proposed to be applied. S. B. Rankin, secretary of the Ohio Bankers Association, spoke on behalf of the State organization.

—At Cedar Rapids, Iowa, the American Trust and Savings Bank now occupies its new banking rooms in the American Trust Building, using the ground floor and basement.

—Columbus, Ohio, now has a chapter of the American Institute of Banking, with these officers: President, Herbert B. Halliday; vice-president, D. T. Jones; secretary, Edwin Buchanan;

treasurer, G. O. Clum; board of governors, Stacy B. Rankin, C. M. Hinman, Herbert L. Thomas, Henry Lorenz, E. L. Abbott, J. A. Pyne, Frank L. Stein and R. S. Warner, Jr.

—At Indianapolis, Ind., the Fletcher Savings and Trust Company has completed a sixteen-story bank and office building, the second and third floors of which will be occupied by the company, as well as part of the ground floor.

—At a convention of the International Association of Bridge and Structural Iron Workers held recently at Peoria, Ill., resolutions were adopted favoring the establishment of a Central Labor Union Bank in Indianapolis.

—A new kind of "roll of honor" is presented in the reports of the State Examiner of Montana. It gives the names of those banks showing no overdrafts.

—Michigan State banks and trust companies increased their deposits over $25,000,000 between September 12, 1914, and August 9, 1913.

—Reports of 149 State and savings banks, thirty-seven private banks and twenty trust companies of Colorado as made to State Bank Commissioner E. E. Drach at the close of business September 12, show aggregate resources of $54,323,039.60, and average reserve, 26.65 per cent.

—Legal reserves of the Kansas State and private banks and trust companies at the date of official report of September 12 were 31.6 per cent., compared with 35.8 per cent. on September 4, 1913.

—Stockholders of the Wayne County and Home Savings Bank and the Michigan Savings Bank of Detroit have ratified the plan for consolidating the two institutions, under the title of

Wayne County and Home Savings Bank, with $2,500,000 capital and a surplus of equal amount.

—The Mercantile State Bank is a new institution at Minneapolis, with $300,000 capital stock, the shares being placed at a premium of thirty per cent. Wm. B. Tscharner is president; Lauritz S. Swenson, vice-president; M. C. Tifft, vice-president and counsel, and William F. Olsen, cashier.

—The United States National Bank of Denver, Colo., has established a savings department.

—Great Falls, Montana, is to have two new banks—one with $200,000 capital and $50,000 surplus, and the other with $150,000 capital and a surplus of perhaps $40,000.

—Indiana bankers at their annual convention in Indianapolis elected these officers: President, John P. Frenzel, Jr., assistant cashier Merchants National Bank, Indianapolis; vice-president, Frank J. Pitner, cashier First National Bank, Laporte; treasurer, Stuart T. Fisher, cashier People's American National Bank, Princeton; secretary, Andrew M. Smith, Indianapolis.

—Deposits in all classes of banks in St. Paul and Minneapolis show an increase of more than $37,000,000 in the past year, and a very material increase compared with the most recent preceding date—the present figures surpassing all previous high records.

—At Grand Forks, No. Dak., the Northwestern Trust Company is putting up a five-story bank and office building of steel and concrete. The second floor will be occupied by the company named and by the Scandinavian-American Bank.

—Omaha has a new bank—the German-American State, with $200,000 capital. F. R. Baker is president and J. P. Hackett, secretary.

PACIFIC STATES

—As a result of the merger of the Mercantile National Bank and the German-American Bank, the German-American Mercantile Bank has been formed at Seattle, with $200,000 capital. Horace Middaugh is chairman of the board, Ernest Carstens, president, T. B. Minahan and C. S. Harley, vice-presidents, and I. J. Riley, cashier.

—J. E. Patrick, heretofore manager of the Davis & Struve Bond Company, Seattle, has established a bond house of his own in that city. He has had twenty years' experience in handling investment securities.

—San Francisco will entertain the 1915 annual convention of the American Institute of Banking.

—Plans are being studied for a new building which the First National Bank, Portland, Oregon, will erect next year at Fifth and Stark streets.

—From the "Financial Letter" of the American National Bank of San Francisco is gleaned the following good news:

Crop conditions in California are excellent, with a few exceptions, and markets are, for the most part, fairly satisfactory. The citrus fruit year draws to a close with record shipments of about 48,000 carloads, as compared with about 18,000 cars last year. Grape shipments continue to go forward, the total shipments on October 14 being 6,281 cars as against 4,476 cars at the same date last year. On the heels of the fruit crop, olive picking has begun in the upper Sacramento Valley; the crop is large and of good quality, and growers look forward to a profitable season. From the southern part of the State, shipments of celery, lettuce and other green vegetables are starting to Eastern markets in refrigerator cars. It is estimated that the commercial value of such products to be forwarded by rail in the next few months will be more than five million dollars.

The soundness of financial conditions in San Francisco is illustrated by the showing of the national banks in response to the Comptroller's call of September 12. As compared with June 30, the date of the last previous call, the nine banks collectively gained more than $4,500,000 in deposits, of which about $1,000,000 was from banks and the remainder from other customers. That the banks have recognized their obligation to the commercial community as creators of credit is indicated by a gain of more than $7,000,000 in loans. The natural result was a slight decline in cash resources, although in actual specie and legal tenders in vaults the banks show a gain of nearly two and a half millions.

The extent to which the emergency circulation privilege was availed of is an interesting feature of the exhibit. National bank notes outstanding increased from $20,775,609 on June 30 to $22,173,974 on September 12, a gain of $1,398,365, most of which, it may be assumed, was additional circulation taken out under the Emergency Currency Act. It is noteworthy, however, that the banks show as pledged with the National Currency Association securities to the total value of $5,462,459—sufficient to form the basis of additional circulation to the amount of about $4,000,000. It is evident, therefore, that the banks found actual use for about a third of the paper money arranged for and available to them. Even with the small amount distributed, many San Francisco people have become accustomed for the first time to handling paper money and will not readily return to the former practice of using gold as a circulating medium.

—Since the latter part of September the National Bank of Commerce, St. Paul, Minn., has been installed in its new building at Fifth and Minnesota streets.

CANADIAN NOTES

—A branch of the Quebec Bank has been opened at Greene Avenue, Westmount (Montreal), with D. McD. Dickinson as manager.

—The annual meeting of the Canadian Bankers Association will be held at Toronto November 12.

THE
BANKERS MAGAZINE

ELMER H. YOUNGMAN, Editor

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Opening of the Federal Reserve Banks

NOVEMBER 16, 1914, may perhaps become an important date in the country's financial history, for it was on that day that the twelve Federal Reserve Banks began business. Whether the date named will become, as one of the members of the Federal Reserve Board enthusiastically declared, the "Fourth of July in the economic life of the United States," remains to be seen.

The hope of great success for the new system must rest on the assumption that the Federal Reserve Board at Washington, aided by the officers of the Federal Reserve Banks, can handle the redeposited banking reserves of the country better than the bankers of the reserve and central reserve cities could do.

For what has been chiefly accomplished by the Federal Reserve Act is the taking away of these redeposited reserves from the banks that have been handling them for many years and handing them over to the control of a political—or at least a Governmental—board at Washington. The officers of the Federal Reserve Banks are really the agents of this Federal Reserve Board.

This statement is not in the nature of a criticism, but rather a declaration of fact. Conceivably the Federal Reserve Board and the officers of the Federal Reserve Banks may coöperate so cordially and act so wisely as to greatly improve on the methods that have heretofore been employed in handling these redeposited bank reserves.

Upon this possibility, or probability, the success of the new system depends.

But there are other very important things that give warrant for hoping that the Federal Reserve Banks may prove of great benefit. For the first time the separate units making up the national banking system have beeen brought into a certain degree of unity—of itself a matter of the greatest importance. A rediscounting process has been provided for, a more scientific method

of note issues introduced, and the evils of the Sub-Treasury system eradicated—or at least the Secretary of the Treasury is given authority to use the banks if he chooses to do so.

These are some of the undoubted improvements which the Federal Reserve Banks bring about in our banking mechanism.

Having urged these reforms continuously for over a quarter of a century, THE BANKERS MAGAZINE prefers at this time to applaud what has been accomplished rather than to criticise the way of doing it. If the plan put into operation shall prove satisfactory in practice that must be its justification.

Around the conduct of banking and credit operations by the Federal Government lie many pitfalls which only wary walking can avoid. The alliance between politics and banking, made possible by this system, contains grave dangers.

Exalted patriotism and almost superhuman wisdom will be required to steer clear of these difficulties.

From the composition of the Federal Reserve Board, and the personnel of the Federal Reserve Banks of the twelve districts, much may be expected. They unite a high degree of patriotism, intelligence, banking and general business experience. In their efforts to develop the new system along sound lines they will receive unfailing popular support.

EFFECT OF THE WAR ON THE SUPPLY OF INVESTMENT CAPITAL

A CAREFUL statement of what will be the effects of the war on the supply of investment capital has been made by Charles A. Conant, the well-known financial authority.

Mr. Conant prefaces his statement with the following:

(1) The cost of the war, if it lasts approximately a year, will not be materially less than $15,000,000,000.

(2) The demand for capital for purely war purposes, and for the settlements which succeed the war, will be so great as to absorb an amount equal to the entire savings for investment made in all civilized countries for a period of several years.

(3) The effect of this abnormal demand for capital, which is being consumed without economic profit, will be to raise the rate of interest on investment securities higher than it has been for many years.

(4) The fact that such enormous sums to pay the costs of the war are sought almost exclusively by means of government loans will make it impossible to obtain capital for other purposes, ex-

cept at a rate of interest considerably higher than that paid by governments.

(5) The financial disturbances which will occur during the process of distribution of these government loans to investors, extending over several years, will involve the sale on the American market of railway and industrial securities now outstanding to an amount which will in itself absorb so much of the new capital available in the United States, that it will be extremely difficult to obtain any for new enterprises.

(6) If, therefore, American railways and industrial enterprises are to obtain any new capital whatever, during the next few years, it will be necessary to make issues of securities very attractive, not only in respect to the rate of interest, but in respect to the evidence that the interest and dividend payments are absolutely secured by adequate earnings.

He sustains these assertions by the opinions of well-known European economists, and by carefully-drawn arguments based on these views, and upon actual experiences as to the cost of the war thus far, and upon other data.

Taking a table of annual issues of securities compiled by a Belgian economic publication of high repute as indicating about $4,000,000,000 as normally available annually for investment in securities, Mr. Conant says:

"If the cost of the war for one year has to be paid out of the amount of annual savings indicated by these figures, then every dollar of new capital for approximately four years will be absorbed in government loans, and there will not be a penny available in any financial market for building a railway spur, putting up a new station or terminal out of capital account, adding a bobbin to the equipment of woolen and cotton mills, or making a single public improvement in the City of New York or any other municipality, except out of current revenue.

"This, of course, is an extreme statement of the case, which will not be fully realized in fact."

After considering the modifying factors, he raises this pertinent inquiry:

"What part the railways will be able to play in wresting a portion of the world's savings from the outstretched hands of the powers which have been blowing away thousands of millions in powder and ball, becomes an interesting consideration. They must come into the open market and bid against the greatest States in the world for some scanty portion of the supply of investment capital."

He further says that "the great demand caused by the war loans will raise the rental price for the use of capital to a high rate

during a considerable number of years to come. A demand for government purposes for loans of from ten to fifteen billions of dollars, representing three times the usual annual savings of the world, must inevitably put the lender in a position of strength and the borrower in a position of weakness."

The flotation of these heavy government loans in Europe would be marked by a disposition of foreign holders of American securities to convert them into cash in order to apply the proceeds to subscriptions to their new national securities.

Mr. Conant then refers to the large European investments in the United States, saying:

"It is these enormous sums in foreign holdings which represent the most serious menace to the American market and to the possibilities of our future financial development. This money has been advanced to us from time to time over a long period, because there was not a sufficient fund in America to meet the requirements of our development. The newer States of the West could never have been equipped with railways, banks, grain elevators, barns and homes, if foreign capital had not been poured into them in hundreds of millions after our Civil War. What will be involved, in effect, if European investors undertake to market a large part of their holdings of American securities in New York, will be the conversion of this gigantic time loan, payable only over long terms of years, into a call loan, payable as rapidly as the securities can be sold on the New York Stock Exchange.

"It would hardly be within the range of the capacity of the banking system of the country to absorb the entire amount of $6,000,000,000, estimated by Sir George Paish to represent foreign investments in the United States. Fortunately, it is not conceivable that the entire amount could be returned. Probably a considerable proportion—perhaps one-third—is invested in forms which are not quickly negotiable on the stock exchanges. Further, it is not likely that more than a certain percentage even of those securities which are readily negotiable would be returned for sale here. What proportion this will be, it is beyond the power of any living man at present to determine. Even if it should amount, however, to only one-tenth of the securities which are negotiable—say $400,000,000—it would not be an easy load for the digestion of the American money market.

"The amount in such securities which is returned to the American market will influence directly the amount of investment capital remaining in the United States available for other purposes. It is at this point that the problem comes directly home to American railway managers and their bankers. If the country is subjected to a severe strain in order to take back from European holders an amount of securities representing the fund usually avail-

able for investment for one year or for several years, there will be practically no surplus left for investment in new railway issues. Here again a question of vital importance will be how far such issues can be made attractive, not only in the rate of interest paid, but in the surplus of earnings above the operating expenses and existing fixed charges of the issuing company, which will give a complete guaranty of security to the new investments."

BROADENING THE BOND MARKET

ONE effect of the European war will, of course, be to curtail the amount of capital available for investment.

Curiously enough, while nearly every interest in the country has been coddled by Congress, the security market has not received any help from the Government. On the contrary practically everything possible has been done to hit the corporations whose securities are being offered for sale, and the new Federal Reserve Act, designed to make money easy for almost everybody, takes exceptional care to declare that the funds borrowed from the Reserve Banks shall not be used in making permanent investments.

To be fair, the statement ought to follow that this provision was doubtless designed to separate the discount funds of the Reserve Banks from the investment markets of the country.

Still, it is singular that Congress takes so much pains to legislate for everybody, but extends no aid to investment securities.

But the sale of legitimate investment securities—the bonds and stocks of railways and of other corporations—is not a nefarious proceeding as might be inferred from the Government's neglect and indifference toward this kind of business.

"Buy a bale of cotton, and help the South," has justly become a popular cry. "Buy a bale of bonds, and help the railways and other industries of the country," would be an equally praiseworthy slogan. Yet nobody raises up his voice in behalf of the investment securities on whose continued marketing the industries and the prosperity of the United States are largely dependent. On the contrary nothing contributes more to a politician's popularity than to attack the railways and the big industrial corporations.

Nevertheless, if railways are to be satisfactorily equipped; if industrial plants are to be maintained at a high rate of efficiency; if school-houses are to be built; if all the varied enterprises of the States and the municipalities are not to be greatly reduced or stopped altogether, the bond market must be kept in a position to absorb large lots of securities.

It is no secret that Europe is calling for American cash in

large sums, and this will shorten our supply available for investment here at home. Moreover, we can no longer have recourse to the European market in placing our investment securities. We must provide the necessary funds ourselves.

The Federal Reserve Act, while it puts a ban on the use of the funds of the Reserve Banks for investment purposes, nevertheless opens a way for broadening the investment market.

Here is the way. A bank that heretofore has been compelled to carry its own commercial discounts can now pass them over to the Reserve Banks, thus releasing a corresponding amount of funds which may be applied to the purchase of securities—even in stock speculation.

By using the banks of the country as distributors of investment securities, the market may be still further broadened. This course was suggested by President George B. Caldwell in his address before the convention of the Investment Bankers Association at Philadelphia last month. He said:

"I shall not take time this morning to discuss at length the question of the very large expense bond houses are under in the conduct of their business. Certainly the profits of the past have not been a heavy charge upon financing, when measured by capital employed, risk assumed and work required for investigation and distribution. Realizing our responsibility to our clients, the expense of investigation is more likely to be increased in the future than diminished, and it, therefore, seems to me that some better and cheaper plan of distribution must be found, if we are to practise economy. The picture of the investor receiving five or six circulars in his morning mail from as many houses offering the same issue, and before night receiving a call from five or six salesmen from the same houses is not infrequent, and an example of badly applied energy, which frequently creates distrust in the minds of the investor, besides adding considerably to the cost, or expense, of distribution.

"I, myself, believe that we should have better coöperation with the bankers of the smaller cities, where for a compensation that was reasonable and at a saving over present methods, they become underwriters and distributors in their own locality of a very large percentage of the bonds sold there. When fully realized by these bankers, this is a field that could bring them considerable influence and additional profit at a small effort on their part. It is already a custom that such buyers invariably consult their local banker, and if the trade is made he frequently loses a deposit and makes nothing. These bankers must realize that deposits at three per cent. of surplus funds above a few hundred dollars will sooner or later lead to an investment at a better rate, and from every point I can think of they should readily become a profitable and natural

part of the machinery for distribution of bonds in this country, as they are abroad."

Mr. Caldwell bases his suggestion chiefly on economy of distribution, but the policy of marketing securities through local banks, if adopted, would undoubtedly lead in time to a much broader investment market.

If the average American could be trained to become an investor, there is hardly any limit to the country's capacity for absorbing sound investment securities.

It would seem that the banks are the natural channels through which bonds should be sold to the individual investor. The banks know the people in every community who have funds to invest. The banks have the confidence of the people—something it takes the bond house and the bond salesman a long time to get.

As Mr. Caldwell points out, the bank would have to be duly compensated for its service; but even so, the cost would undoubtedly be less than by the present expensive method. Is it impossible to devise a plan whereby the local bank could sell securities at retail and not lose a corresponding amount of deposits withdrawn to pay for the bonds? This is a question of live interest to the banks, which do not like to lose a substantial account for the sake of a small profit on the bonds sold.

A satisfactory solution of this difficulty might be found in either of two ways: First, by giving the selling bank a larger share of the profit, which could probably be done since the expense of distribution should be greatly reduced; or to find some way by which depositors in local banks might buy bonds partly on credit, and thus avoid the withdrawals of deposits which might take place if the bonds were paid for outright.

The importance of the matter justifies a careful study of the mechanism essential to carry out Mr. Caldwell's suggestion.

If the banks of the United States should become general distributors of investment securities, the services of the investment banker would by no means be rendered less necessary. He would still be the expert, making the investigations essential to determining the value of the securities offered. Relieved of the necessity of finding individual purchasers for bonds, he could devote his time and attention more closely to this expert work. The banks, before purchasing securities or participating in underwritings, would no doubt wish to make some investigations of their own which would thus supplement the more expert work of the bond houses.

With the banks of the country generally acting as distributors of investment securities, and with the bonds offered divided into denominations of $100, there should be, if the people only save a little more, an immense addition to the investment absorptive capacity of the people of the country that would go far toward miti-

gating the present lack of capital due to the war, and in the future give to the American security market a much broader and more stable basis than it has ever had before.

CONTROL OF THE RESERVE BANKS

As pointed out in this MAGAZINE for March last, page 277, the control of the new Federal Reserve Banks does not reside either in the shareholders of those banks nor in the boards of directors of those institutions. It is the business of the shareholders to furnish the money for organizing the banks, while the directors virtually are limited in their functions to carrying out the orders of the Federal Reserve Board at Washington. This Board, in turn, will be largely dominated by the Secretary of the Treasury, who will thus exercise a tremendous power over the country's financial machinery—greater than has ever existed in any country outside of Russia where the Imperial Bank is a part of the State Treasury.

A careful reading of the Federal Reserve Act itself will show that this statement as to the control of the Federal Reserve Banks is correct.

If any doubt existed on the subject, the act of the Secretary of the Treasury in fixing the date for the opening of the new banks would alone dispel that doubt.

There was a convocation of directors of the Federal Reserve Banks at Washington on October 21, and when the matter of the opening date of the new banks came up for consideration, thirty-five of the directors voted in favor of November 16 and thirty-seven for November 30. The conference of directors then came to a unanimous decision to recommend that the banks be opened on November 30 in accordance with the will of the majority. But the Secretary of the Treasury, exercising an undoubted prerogative, declared in favor of November 16 as the day on which the Federal Reserve Banks should begin business, thus overruling the directors' actions.

Those who have carefully analyzed the underlying principles of the Federal Reserve Act long ago perceived that one of its chief assumptions was that the redeposited banking reserves of the country could be more efficiently handled at Washington by Governmental officials than by bankers at the various financial centers of the country. Mr. Bryan is already boasting that the financial center of the United States has been removed to Washington. He seems to think that we have been saved from panic

by the Federal Reserve Act, although this act was not in operation when the recent expedients for preventing panic were put into effect. Surely, even with Mr. Bryan's distrust of the banks, he must recognize that the coöperation of these institutions with the Government has done much to save the situation.

The student of American banking history, having seen what has happened in the past through combining political and banking power, awaits with interest the inevitable hour when the Federal Reserve Act will encounter the same difficulty. One day some Administration—it may be Democratic or Republican—will get badly mutilated in this politico-financial machine.

A HUNDRED YEARS OF PEACE

WITH the closing of the present month there passes into history a century of peace between two of the mighty nations of the globe, both speaking the same language, their origins not dissimilar, their love of freedom and of orderly progress under the law substantially identical.

Yet in the early history of the American colonies, dominated as they were by English laws, customs and traditions and ruled by royal authority, there arose dissensions which speedily led to armed revolt on the part of the colonies, followed by independence of the mother country. Within less than a generation another war began, to be ended by the Treaty of Ghent, signed in December, 1814, and since then there has been unbroken peace between the United States and Great Britain. But the cordial relations between the two countries have more than once been threatened. The differences arising during our Civil War were settled in our favor by the Geneva Tribunal, and the controversies over the fisheries in Canadian waters and the seal catch in Bering Sea have all finally yielded to diplomatic negotiations.

The Panama Canal question, which has been the subject of recent animated discussion, failed to arouse a spirit of bitterness on either side.

Since the outbreak of war in Europe numerous perplexing problems have arisen, but each has gradually yielded, thus far, to calm and patient consideration.

This to-day is the most significant fact in the relations between Great Britain and the United States. However serious the difficulty, no successful appeal to prejudice can be made, or indeed is rarely thought of; but the matters at issue are discussed precisely as they would be between sensible individuals, and finally settled in accordance with principles of reason and justice.

The interests of the two countries may clash henceforth as they

often have done since the signing of the Treaty of Ghent; but if we may find warrant in the history of the past century for a prophetic vision, they will never lead to a resort to arms.

An occasion like this peace centenary invites a review of the progress of the two countries, but how could one adequately deal with such a vast theme? When Mr. Bryce was serving as British Ambassador at Washington, he employed some of his spare time in lecturing on "The Contribution of the English-Speaking Race to the Progress of the World"—or at least on a topic embodying this idea. He frankly acknowledged that the subject was so vast as to admit of only the most general treatment. Those who heard Mr. Bryce's lecture perhaps felt that any adequate handling of the theme was impossible even by a man of his matchless gifts. The attempt will not be made here.

The observance of this auspicious anniversary cannot fail to bring to mind in the United States and Canada the neighborly feeling that has developed between these two branches of the English-speaking race. Stretching for thousands of miles, from the Atlantic to the Pacific, here is a boundary line that needs no forts or navies for its defense. Kindred ideals, mutual understanding and good will constitute an effectual guaranty of peace; and more than that, assure relations of genuine cordiality.

Falling in these early years of the new century, when men had begun to hope for the reality of the dream of human brotherhood, and in that month that marks the great religious peace festival of Christmas, the one hundredth anniversary of peace between Great Britain and the United States finds the joyful note that would certainly otherwise have distinguished the celebration hushed by the awful tragedy taking place in Europe. In this terrible conflict the mother country is itself involved, possibly in a life and death struggle. And though Americans are officially enjoined to practise neutrality in action and thought, the injunction cannot avail to prevent a deep sympathy from going out to that nation to whom we owe our language and so much that is worthy in our laws and institutions.

OPERATION OF THE FEDERAL RESERVE SYSTEM

AN interesting review of several phases of the Federal Reserve Act was given in the annual address of President Arthur Reynolds at the recent Richmond convention of the American Bankers Association.

The general expectation seems to be that the Federal Reserve

Banks are at once going into a policy of expansion which will mean "easy money" for everybody. Mr. Reynolds, appreciating the true banking principle that in order to be in a position to help out in case of need banks must in ordinary times hold a considerable lending power in reserve, took occasion to question this common expectation of immediate expansion. He said:

"The principal object in view by the originators of the plan was to add stability to our banking by devising a system that would alleviate the periodical stringencies to which business in this country was subjected, and to prevent those disastrous panics which followed. Any operation under the system which by an immediate return to the channels of commerce by the rediscounting plan, to prevent the contraction incident to the withdrawal of so large a sum from business, would, to that extent, defeat the ability of the Federal Reserve Banks to relieve any stringency. It seems to me that if these banks are to be always in a condition to ward off disaster that we will, at the beginning, be compelled to submit ourselves to some contraction. To hold both positions is illogical, if not impssible."

Mr. Reynolds does not agree with those who are looking for a reduction of discount rates through the operations of the Federal Reserve Banks.

"The Federal Reserve Banks," he says, "have no way of increasing the supply of actual money in existence; if they had, they might reduce rates. Their most efficient help in that connection may at times result from raising rates to stabilize conditions.

"It is only necessary to cite the fact that in those countries which depend upon their central banks to maintain the stability of conditions which in their experience has prevented those panics to which we have been subjected, we find those central banks maintaining a discount rate always higher than the commercial rate in the same country.

"In England, where banks seldom rediscount with the Bank of England, it maintains the higher rate, and in Germany and France, where they rediscount more freely with their central banks, the same policy prevails. All these central institutions seemingly realize that by such a course only can they harbor their resources.

"It must always be kept in mind that to realize the chief object which Congress had in view the Federal Reserve Banks must always be ready to extend help; they cannot maintain this position if the member banks keep them drained of their resources in ordinary times."

This view regards the Federal Reserve system as an auxiliary of the present banking system and not as a direct competitor.

THE INDEPENDENT TREASURY

PERHAPS it has been the general impression that under the new Federal Reserve system the existing Independent Treasury system would be gradually displaced. Mr. Reynolds, in the address referred to above, pointed out that this is not necessarily so. On this point he said:

"One feature of the act creating the Federal Reserve Banks, to which little, if any, reference has been made, is found in that clause of the law which leaves to the discretion of the Secretary of the Treasury the continuance or discontinuance of the United States Independent Treasury system.

"It has been popularly supposed that with the opening of the Federal Reserve Banks, Government funds would be deposited in those banks, and the Independent Treasury system and its consequent expense, both to the Government and the business of the country, would be a thing of the past.

"A careful reading of the law, however, discloses the fact that its authors had no such intention, and that if Government funds are deposited in these banks, or if they are appointed fiscal agents for the Government, it will be at the discretion of the Secretary of the Treasury alone and that the bill does not provide for the abolition of the present system.

"It is a just criticism of the measure to say that it does not take the Government out of the banking business, and that it confers upon one of our Government officials an extraordinary power and discretion, unwarranted by the spirit of our institutions and repugnant to republican principles.

"There is no reason why the funds of the Government, taken from the people by taxation, should be handled in other than a business method. To avoid the alternate contraction and expansion in the quantity of circulation incident to the collection and disbursement of the vast sums handled by the Government, they should be deposited and checked against just as the funds of business institutions are and beyond individual control. The power here conferred upon the Secretary of the Treasury to control money and credit, if attempted by the members of this association, would probably call for a special act of Congress to curtail their activities."

Yet in practice the effect may be to abolish the Independent Treasury. If the Secretary employs the authority conferred upon him—as he doubtless will—and deposits a large share of the public funds in the Federal Reserve Banks, and the experiment is found an advantage over the present system (which can hardly fail to be

the case), the Independent Treasury system may gradually lapse.

Mr. Reynolds very justly says that this feature of the law clothes the Secretary of the Treasury with tremendous power—more than would be tolerated in the case of bankers. But is not this true of the entire Federal Reserve Act, which virtually puts the whole Federal Reserve Banking system into the hands of the Secretary of the Treasury?

The theory of this course lies in the supposed infallibility of judgment of the Government and the absolute integrity of whoever happens at any particular time to be Secretary of the Treasury. Under the present way of looking at things bankers are not supposed to have a corresponding monopoly of wisdom and virtue, which explains why the Government is willing to confer autocratic powers upon the Secretary of the Treasury, but would be extremely reluctant similarly to equip any member of the American Bankers Association.

PAYING OUR DEBT TO EUROPE

THE ordinary channels of international credit and trade have been so choked by the European tragedy as to create problems in international finance which are not only unprecedented in their stupendousness but practically novel in character. One of this nature is the extraordinary demand for money made upon the United States in settlement of our indebtedness to Europe.

The importance of this matter has probably been greatly exaggerated. It must not be forgotten that our losses and difficulties on account of the war are purely financial, while the contending nations are not only suffering this same kind of loss and to enormously greater extent than ourselves, but they are also heavily losing both property and life.

It is no doubt annoying in European circles that we should take our own comparatively petty annoyances so seriously.

But having nothing more serious at the moment to engage our interest, it is at least explicable why this financial problem receives so large a share of public attention. Though by no means comparable with the difficulties and suffering which the war has imposed upon Europe, still the matter is by no means trifling.

Various schemes have been brought forward to extricate the United States from this anomalous situation. It has been proposed that the American Government guarantee the debt to the Bank of England, or that the same service be performed for us by the British Government.

Theoretically, all debts are payable according to the contract. But if it were sought to enforce that theory, even in ordinary times, universal bankruptcy would ensue—not, of course, among all individuals, but throughout communities and throughout the world. And in a time like the present, it is manifestly less practicable to put such a requirement into effect.

In the modern use of credit it is a fair inference that one's creditor will refrain from any action which will unfavorably affect the debtor's ability to pay. A bank that would lend money to a manufacturer and then begin a systematic attempt to break down his business would be universally held up to public scorn and would have hard work in getting back its money. If a money-lender should make a loan to a farmer on his growing crops and then turn loose a herd of cattle to destroy the crops, he would not get anything but condemnation for such an act and would probably not only fail to get his money back, but have to pay damages as well.

The European nations that have lent money in the United States and now clamor for its return have not acted exactly in the manner above indicated, for they have not done anything with the purpose of harming the United States, financially or otherwise. The element of malice, involved in the theoretical cases, is lacking in this case. Yet the effect upon us is not much different. For the time being the leading nations of Europe have discarded the sane and orderly processes of modern civilization and have resorted to the savage argument of brute force. Having chosen to do this, what right have they to claim exemption from the consequences? Their action has closed to us the avenues of financial assistance to which we have resorted for many years and largely destroyed our international trade.

But to take this view would doubtless be construed as an indisposition to pay our just debts. On the other hand might it not be regarded as an admonition in practical form to those of whom we have borrowed money to refrain from a course that would make payment next to impossible? Was that less than a reasonable expectation when the indebtedness was incurred? What man would borrow money of another if within the life of the loan it was understood that the borrower was deliberately to take a course that would practically preclude a settlement of the debt?

These considerations, however, should be pondered by warlike nations, making them pause before rushing into conflict. They have no application here at the present time.

The duty of the United States toward Europe is to pay the debt we owe, in gold if demanded, and without unnecessary hesitation or parley.

We have indicated elsewhere in this department a practicable way to assist in doing this.

What Bankers Are Saying

Well-matured views of bankers and other financial men are tersely expressed in the sub-joined extracts, taken from addresses at bankers' conventions and from other sources.

THE BUSINESS MAN IN POLITICS

[From the annual address of President Arthur Reynolds before the convention of the American Bankers Association.]

THE political factor in the situation is the stumbling-block to progress in the right direction. Public opinion, when properly informed, will not tolerate the continuance of the present programme when it realizes that such a course will handicap this country in its competition with other nations whose policies are the reverse of ours. In order to establish a theoretical "new freedom," it does not seem to me that we should be compelled to sacrifice our business progress, surrender our rights as business men, and be forced to delegate the control of our own affairs into the hands of Government appointees.

The avowed theory of the proponents of this programme is to protect the investor regardless of his right to manage his business for his own protection, and in face of the fact that when the control of his business has been invested in those whose selection will devolve upon political authority, we have no assurance that the experiment will be successful.

While the purpose at the beginning was ostensibly to curb some large corporations and combinations which were said to be exerting their power in a vicious manner, now the idea seems to have spread and includes all business.

These attacks have already shown their results; happiness has been succeeded by discontent; apprehension rules where confidence and optimism formerly predominated.

The continuous and unjust attacks which have been made upon the banking business by the proponents of our recent forms of theoretical and scholastic legislation, combined with the pronounced prejudice exhibited by the administration and legislative branches of the Government, have greatly influenced an unfair public opinion.

We are to-day in the maelstrom of uncertainty; State and Federal legislation for the control of business by bureaus and commissions under political domination seems to be the order of the day and the advocates of this policy are endeavoring to create prosperity by legal enactment, disregarding those agencies which have heretofore been most efficient in promoting it. They do not appear to recognize the fact that the rapid industrial development which has taken place throughout the world has produced conditions which have required radical changes in business methods.

With this wonderful onward march our country has kept pace; where formerly individual effort and disjointed interests were the instruments employed, now coöperation, both of capital and the individual, have taken their place.

This is the grand transformation which our reformers, failing to recognize, are seeking to control by a political policy which, if logically completed, will dominate the economic policy of the people—if it does not go farther and plunge us into the sea of socialism.

In their efforts to reach a few men

who have taken unfair advantage under the new conditions, they overlook the fatal handicap they are imposing upon the entire business structure of this country, under which competition with the world at large, already difficult, will be still further impeded.

If these would-be reformers were pursuing their policy in response to a great popular demand for such action, they might be justified in such a course. Aside from the usual expressions and stock promises of reform that we read every four years in the platforms of all political parties, there is no organized effort for much of the legislation that has already been enacted, or is still under consideration. The commercial organizations representing the business interests of this nation have not demanded it, and, on the contrary, have protested and objected, and even labor organizations have confined their activities to those subjects which only concern their present interests.

The protests of the bankers and business men against this invasion of their liberties have not only gone unheard, but organized effort to modify some of the drastic measures proposed has been openly referred to as "conspiracy to influence legislation."

I cannot admit that legislation upon any subject is so sacred or beyond criticism that the people who are the masters of those who must enact it shall be debarred the right to be heard, and believe that the business interests have a special claim on the attention of the lawmakers at this time. If the right of appeal is by such tactics to be denied to any class of our citizens, may they not justly fear the good intentions and doubt the wisdom of those who assume to do so?

I do not believe that the people have abandoned those principles underlying our economic structure which have enabled us to attain our present position in the business of the world.

I do not believe our lawmakers desire to champion the cause of those who demand a redistribution of property, by law, if possible, or by other means, if necessary, but a logical continuation of their present course will ultimately place them in that position.

Experiences such as we are going through have been met by other nations; the rights of a people have in the past been granted by a stroke of the pen, but the liberties of a nation have never been thus suddnly subverted, and it is from gradual encroachments that such a danger comes.

BUT what of the remedy?

Shall what I now say to you on this important problem be simply put upon record as another of those unheeded protests that have preceded, or will the bankers and the business man take heed and take action through the full exercise of their rights as citizens?

The time has come when we must take a more active part in the practical politics of the day, for the banker and business man to wield that influence in our Government to which they are entitled must make more effective use of their citizenship in the future.

Heretofore we have contented ourselves by forwarding or adopting resolutions; now we must resort to individual effort and must ourselves take part in the work instead of relying solely upon the Chamber of Commerce, the local Board of Trade or the State Bankers Association.

These organizations have done well and from their representative character are justly entitled to be heard, but such work, to be effective, must be supplemented at home by the citizen, the man from whom the lawmaker holds his commission. Denying the assumption that the business man has no place in politics, let him now find his true place, and by an independent, fearless exercise of his rights as a citizen, acquire his share of influence in the making of the law, as well as its administration.

In a democracy, where the majority rule. ballots are the most effective argument with the office holder. The influence exerted by this association and

the various State Bankers Associations throughout the country, supplemented by the individual efforts of the bankers and business men in their own localities constitutes a force that properly directed may yet give us that share in the making of the laws to which we are entitled.

This country is dotted over with small country banks, usually managed by men of prominence in their own communities, and their appeals to the home congressman may be made more effective by active participation in his campaigns than by a passive acceptance of the gifts that fate may otherwise bestow.

Regardless of the activities of the reformers who would have the people believe that the banker is not to be trusted in matters in which he is directly interested, I feel sure that the general business public with whom the banks come in close touch recognize in the banker a force for good in the community in which he resides, and the daily expression of those human qualities which make for confidence and honest handling of affairs have established the banker as a friend of the people and worthy of any trust.

How absurd the idea that the banker could hope to thrive under any other condition than the prosperity of his customers; as the people succeed so does the banker. The broad competition in the banking business in this country would alone compel fair treatment. No other country in the world enjoys so many financial institutions, organized very largely to care for the requirements of individual communities.

The bankers of the country should strike out boldly and fearlessly and should refuse to permit the imputations that have been laid upon them and their business to go unchallenged. They should not allow the politicians to use them as a buffer for their own selfish purposes.

At no time in the history of our great country has there been such a necessity for cautious and conservative action as to-day, and progress can only come through the creation of a safe and sane public opinion.

THE American Bankers Association has done much to aid the general situation, and I feel is to-day equipped both in intelligence and in force of organization, for a still greater work.

While the executive officers and committees of the association and those who voluntarily ally themselves with them have been unceasing in their efforts to promote and protect your interests, by argument and personal appeal to those in power, you should not fail to do your part. Ballots will be found more efficacious than protests; the banker and business man has an equal right with any other class of citizens to seek by coöperative action to protect his own business, not by attempted control or undue influence, but by educating the public, which is entitled to a frank expression of your opinions and judgment, through which your influence must be exerted.

Business men have too long accepted legislation without protest or criticism, through fear of more radical measures in punishment of their efforts. The time has arrived for positive action by the business man in public affairs. Upon the course which you as individuals pursue will depend the results which may be secured.

The unsettled business conditions which have existed for some time, coupled with the present world-wide disturbance, have accentuated the situation, and if we are to have any general prosperity in the near future, will depend much on whether the attacks upon business are to be continued by our lawmakers and additional drastic laws passed to further disturb the situation.

Even if all the laws proposed and passed were just and proper, it would be impossible to force so many and radical business changes without the results which we have experienced.

Indeed, the failure to aid railroads in their reasonable requests has

undermined the values of one of the most important investments for savings funds, which will be felt not so much by banks and business men as by the common people, the salaried man and wage-earner, and which in due time will be fully appreciated by the public. A continuation of this policy will further impair the value of these stocks and bonds in the hands of European holders, who estimate them in proportion to their earning capacity, thus inviting liquidation of these securities, which will compel additional exports of gold with its attendant business disturbance.

The business men of the country are anxious to see the end of the depressing influence of congressional interference and bureaucratic restriction; they regard present methods rather as tyrannical than liberal, and no progress toward permanent prosperity is possible under a continuation in the present course.

MAKING GOOD WAR'S WASTE

By A. M. Harris of Harris, Forbes & Co., New York

[From an address before the Investment Bankers' Convention at Philadelphia.]

THE economic losses resulting from wars are usually exaggerated, as shown by the industrial conditions which exist when peace is restored. It is estimated that the European War is costing as high as $50,000,000 a day. This is, of course, a huge sum. But you must remember that you are dealing with huge figures all around. The population of the nations directly engaged in the European War is over 800,000,000. An average saving of only sixteen cents a day for this number of persons would amount to over $50,000,000 a day. It should also be remembered that the destruction of battleships, forts, gunpowder, etc., is not a new loss of capital. This was paid for before the war started and the loss of capital occurred when these articles of war were constructed and manufactured during times of peace. In fact, the great losses of capital and economic wastes occur during times of prosperity, whereas capital is accumulated during periods of depression. Certainly never before in the history of this country has there been such a wave of economy. With a population of 100,000,000 in this country, it would require only a relatively small reduction in wasteful expenditures for us to accumulate a saving amounting to hundreds of millions of dollars a month.

This wave of economy which is sweeping over the country is of the greatest importance to you. It means that persons who have never previously been in the habit of saving will begin opening savings accounts and that others who already have savings accounts will increase the size of these accounts. If this result occurs it will mean that you will not be called upon to sacrifice your holdings of high-grade investments at the present depressed prices. In other words, you will not be called upon to suffer any actual losses in your investments, but will be able to continue to hold these bonds until they mature, when you will receive in payment their par value, or just what you expected when you purchased them.

INDIVIDUAL INITIATIVE

By A. J. Frame, President Waukesha (Wis.) National Bank

TRUE progress is brought about, not through special privilege, nor unbridled radicalism, nor under a socialistic régime. On the other hand, I am fully convinced that all history proves the truth of the declaration of that great statesman, Thomas Jefferson, to wit: "Agriculture, manufactures, commerce and navigation, the four pillars of our prosperity, are most thriving when left most free to individual enterprise."

Individual initiative; the ownership of one's own home, sweet home; the right to enjoy the fruits of one's own labors, lifts even the lowest to the

right of kingship, energizes his activities and thus insures the greatest possible progress to any nation. The result of individual freedom in the United States is the most shining example of progress the world ever knew.

State socialism, born, in most cases, of philanthropic intent, is destructive to human progress, because the knowledge that the State will care for us, blights the energies of the few who are born with broad powers of initiative. The masses grow indifferent if the State will care for them. To abolish poverty is, alas, beyond the power of man.

Commercial Paper for Discount by the Federal Reserve Banks

Brief of the Merchants Association of New York

In the work of inaugurating the new Federal Reserve Banking System no subject has been of more vital concern to the member banks and perhaps to the business community as well than the regulations governing the commercial paper eligible for discount at the Federal Reserve Banks. The accompanying report covering this matter was prepared for the Merchants Association of New York by that organization's Committee on Commercial Law, and was submitted bearing the signature of the Merchants Association, and of its President, W. A. Marble, and also the signature of the Committee on Commercial Law, by Edward D. Page, Chairman, and by the following members of this committee: Welding Ring, Donald McKesson, George H. Raymond, Percival Kühne, Abraham Bijur, R. H. Johnston, Abram I. Elkus, Harry Dowie, Max Naumburg, E. A. Dillenbeck, Ernest R. Ackerman and Lewis E. Pierson. The experience of Mr. Page and his associates in matters pertaining to commercial paper gives to this report an exceptional value.—EDITOR BANKERS MAGAZINE.

IN the second paragraph of section thirteen of the Federal Reserve Act the Federal Reserve Board is granted the "right" to determine or define the character of the "notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been used, or are to be used for such purposes" which, upon indorsement by any of its member banks, a Federal Reserve Bank may discount.

The same section adds that "nothing in this act contained shall be construed to prohibit such notes, drafts and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount," but expressly prohibits such paper when based upon investment securities.

The residuary maturity of paper so accepted for discount must not exceed ninety days, except for a limited amount of agricultural or live-stock paper having a maturity of not exceeding six months.

In the last paragraph of section thirteen there is a further grant of

discretionary powers to the Federal Reserve Board by the proviso that "the rediscount by any Federal Reserve Bank of any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this Act, shall be subject to such restrictions, limitations and regulations as may be enforced by the Federal Reserve Board.

It will be at once observed that the language of this last paragraph differs from that used in all of the preceding paragraphs of the section in that it refers to rediscount instead of discount. In every previous reference to the process, on the part of the member banks, of obtaining an advance from their Federal Reserve Bank on the paper in their possession by indorsement, it is referred to as a "discount." The classes of paper enumerated in the last paragraph of section thirteen are also different from those enumerated in its second paragraph, to which the "right to determine and define" is especially confined. The term "rediscount" is used elsewhere in the act only once, viz.: in paragraph (b) of section eleven, in which inter-reserve bank operations are described, and, therefore, refers only to that process.

The amendments to the Federal Reserve Act (63d Congress, Nos. 168 and 171) make no change in the above provisions, nor does the proposed amendment contained in H. R. 15088 and now reported to the House of Representatives for passage.

The question discussed by this brief may, therefore, be confined to the "right" to determine and define notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, past or future, as expressed in the second paragraph of section thirteen.

It will be observed that the power thus conferred is a "right" not a "duty." Elsewhere in the act other functions are obligatory. It is on a parity, therefore, with the other large discretionary powers wisely conferred upon the Reserve Board; such as to review the division of the country into districts, to expel member banks and to restore them to membership, to suspend the reserve requirements, to add to the number of reserve cities, to add to the list of cities in which real estate loans shall not be permitted, etc., etc., and it is not mandatory upon the Federal Reserve Board to exercise that right until, and at such time, as in its judgment such determination is advisable or necessary.

From the language used it may be inferred that it was in the minds of the framers of the act that the "determination and definition" of the character of the paper thus eligible for discount might either (a) be regulated, as it is in current banking practice, by self-interest and experience (modified only by the exclusions specified in the Act), or that (b) certain further exclusions might be determined and defined by the Federal Reserve Board from time to time, when warranted by its experience and good judgment, as informed by the more thorough system of bank examination established by the act, or (c) that a complete survey of the genera, species and varieties of commercial papers not expressly excluded might be made *ab initio* by the Reserve Board, formulating certain included classes, and certain excluded classes, subject to such modifications as the Board itself, from its cumulative experience, might be impelled to make from time to time.

PRACTICABILITY OF EACH COURSE

A. There is something, if not much, to be said in favor of the policy first outlined. It might be said that the indorsement of paper offered for discount by the member bank makes those banks, in their own self-interest, anxious not to put their names on any but the best notes. To have its offering once rejected under the scrutiny of the Federal Reserve Bank of its district would strike a distinct blow at the future credit of an offering bank.

Not to scrutinize the offering with reference to the maker's name and financial condition would invite weakness and perhaps disaster to the solvency of the Reserve Bank discounting such paper. With the special powers of examination of the member banks conferred upon the Reserve Banks by paragraph three of section twenty-one of the act it should be easy for the Reserve Bank to inform itself quite accurately of the conditions surrounding any proposed or past borrowing.

Further: to throw upon the Federal Reserve Banks the responsibility of passing on the eligibility of paper excepting only the exclusions of the act itself would, in all likelihood:

(1) Build up the responsibility and importance of the various regional banks, give their boards a wider and better experience, and render them more competent, in times of trouble, to handle a local situation without resort to the resources of the Reserve Board.

(2) Tend to make their relations to their entire membership within their districts cognate with those that have been in the main so well handled locally by the clearing-house associations, whose helpful and efficient action in troublous times, has so often, since 1857, mitigated the evils produced by the periodic tendencies of men to overtrade.

(3) Give a free field to the various forms of treatment without extraneous prejudice of certain varieties of business paper best understood in the districts where they originate. For instance, cattle paper is best understood in Kansas City, while cotton paper is best understood in Atlanta or Richmond and mill paper in Boston. Something certainly is to be gained by the solution of credit problems in a practical rather than in an academic way, and such problems are sure to be best understood when viewed locally, at short range.

(4) Be justified by the common experience that in the issuance of clearing-house certificates the classes of obligations proffered, though varying widely from place to place, have been of the best class, each in its own district, and have rarely, if ever, been brought to default, in spite of the fact that this process has only been resorted to in times of abnormal stress.

(5) Be accomplished, in the start of a new and untried system, with less friction, less local hardship, and less adverse criticism than by a series of more or less inflexible continental requirements, which might very well by the application of the *de minimis* rule discriminate against certain varieties of papers which are of a good class within certain jurisdictions, while elsewhere fairly exclusible.

B. It is doubtless within the powers of the Federal Reserve Board to add to the exclusions of the act without formulating at this time a complete scheme of classes or varieties acceptable or inacceptable. This course might have the merit of definitely excluding from the portfolios of all of the Reserve Banks certain classes of paper which although sometimes accepted for discount by the member banks, would, if discounted by a Reserve Bank, measurably decrease the fluidity of its assets. It would have the further merit of attracting the attention of less experienced and less well-trained local bankers to the undesirability of permitting a large proportion of such obligations to mingle with and thus to congeal their own assets. Such less desirable varieties will be brought to your notice in the final discussion.

C. The case in favor of an immediate exercise of the right to make a survey of existing varieties of commercial paper, with the view of determining and defining the character of paper admissible to discount by Federal Reserve Banks, is that if such a determination could be accomplished, and well defined classes of paper either marked for acceptance or exclusion, it would create the assurance that certain papers would surely be accepted for or discounted by the Reserve

Bank when offered by its member banks. Everyone must recognize the value of certainty in the outcome at the inception of a business transaction. Wherever such certainty can equitably be established by the declaration of a settled business principle, to be accepted by both sides in the trade, it is in the long run advantageous to all parties to the transaction. In the present instance, the position of the Federal Reserve Board would naturally be that of an impartial arbiter, viewing broadly the interests of the country as a whole; of its business, as well as of its banks. Unless each of these two interests, which come more or less into conflict at the making of every loan, are prosperous, the other cannot be.

VARIETIES OF COMMERCIAL PAPER

ANY consideration of the practicability of the three courses of action outlined above involves a brief discussion of the varieties of commercial paper now available for sale together with their respective merits or demerits for the loan fund of a Federal Reserve Bank.

All negotiable commercial paper is of one of two classes: (a) bills of exchange, or orders to pay money, and (b) promissory notes, or promises to pay money. The two classes may be further distinguished by the time of payment, which is either on demand or at some fixed future date. Checks and sight drafts are demand bills of exchange, differing only in form. A bank note is a demand promissory note. The questions of credit involved in these forms of commercial paper do not involve a postponement of, payment. and so far as our banks are concerned no action of the Federal Reserve Board seems to be needed to work any changes in the customs surrounding their use, which adequately protect all temporary holders from loss by their acceptance.

Unsecured promissory notes bearing interest, and payable "on demand," while purporting to be call loans on personal security, are for the most part loans repayable at the pleasure of the borrower. Collateral notes payable at a fixed date or on demand, and secured by Government bonds or notes, are expressly relieved from the prohibition against notes based on a pledge of investment securities and their quality with respect to ultimate payment is well established.

There remain to be considered therefore only those varieties of time paper based on personal credit or on merchandise. These are:

I. The bill of exchange payable at a specific date after sight, and accepted by the drawee—one variety of bills of exchange. It may be secured by bill of lading for merchandise which may be released or not released to the drawee upon acceptance.

II. The promissory note in settlement of sales—endorsed by the seller.

III. A note or draft endorsed for accommodation.

IV. The promissory note secured by pledge of merchandise.

V. The unendorsed promissory note—single name paper.

I. Bills of exchange drawn for acceptance at thirty days to six months sight, either with or without bills of lading for the merchandise attached, are now rarely used in the inland trade. They would be applicable to transactions in the great staples such as cotton, wheat, corn, oats, and other agricultural products. But transactions in these staples have been freed by the produce exchanges from time credits, and are now very generally on a cash basis. Were there a supply of this class of paper it would doubtless form one of the most solid as well as fluid forms of investment for Federal Reserve discounts. Bills of exchange, based on sale transactions, are normally self-liquidating.

In connection with manufactured commodities such as dry goods, groceries, hardware, and the like, bills of exchange became obsolete many years ago owing to a variety of causes which may be here summarized, viz.:

(a) The reduction of the customary term of credit from six or eight months to ten, thirty or sixty days.

(b) Uncertainty of the amount due by reason of discounts offered for prepayment, by which the term of credit is made flexible, at the buyer's option. The general effect of this process is that all houses in high standing finance themselves so as to pay cash for all their purchases.

(c) Uncertainty as to the amount to be paid owing to the substitution of implied warranties of the goods sold in place of the old rule of caveat emptor.

(d) The change in the custom of buying, made possible by improvements in transportation during the last thirty years, whereby instead of making a few large shipments of merchandise, buyers now make a large number of small purchases. While the average size of the bills in the sales of large wholesale houses in the seventies was over $1,000, it is now less than $100. It is not practicable to settle accounts of such small size with bills of exchange. (See appendix.)

(e) The facilities extended to the country merchant by local banks, which have everywhere multiplied. These banks find a profitable use for their funds in making loans to local merchants who are thus enabled to buy merchandise advantageously on the shorter terms now prevalent, and to avoid the long credits which in former days were furnished by the seller of the goods and paid for in the price. Credit prices are always higher than cash prices.

For these reasons the bill of exchange has become obsolete in nearly all branches of trade in manufactured goods, except where the conditions above referred to are upset by forced trade sales at auction. In this case, notes or bills are given in payment mostly by second and third rate debtors, all others preferring, in ordinary times, to settle on short time with cash.

II. What is true of the use of bills of exchange is also true of the use of promissory notes in settlement of trading accounts receivable, and for the same reasons. At present such promissory notes as are given for merchandise accounts are quite well understood to represent settlements of overdue accounts receivable or extensions granted to weak debtors; strong houses hesitate to endorse and sell these notes knowing that they are the least liquid of all their receivables; and that a transaction of this kind, disclosed, will besmirch their own credit. By average from one-quarter to one-third of such notes go to protest and are paid by the endorser.

Promissory notes, however, are given by consumers in large volume in part settlement of debts for farm machinery, automobiles, wagons, tools, etc. A large part of these notes are very good; but being drawn by persons of meagre bank credit, and not under the influence of business habits, are not always paid promptly at their maturity. Such notes are frequently endorsed and used as collateral for the promissory notes of their holders. They give a self-liquidating character to the notes which they support, and should be excellent collateral security when protected by sufficient margins to forefend the average percentage of default. They would seem to fall within the compass of the broad definition of the second paragraph of section thirteen.

III. Promissory notes endorsed by sureties for accommodation form the great bulk of the double-named paper held by our banks. Such accommodation paper is good provided it is not used as a means of financing the inactive assets of both maker and endorser. It does not represent a real transaction between them. As a means of providing capital at the start for able men of limited means it is a device of value. Notes of such men are dependent in a much larger degree than any other kinds of paper upon the character and ability of the maker. He gets the endorsement because he needs the third element of good credit —capital. The valid foundation for the prejudice against acommodation

endorsement is not the fact that usually a note so endorsed represents a future rather than a past transaction; for a past transaction is just as likely to be foolish, and, therefore, not to pay the note, as a future transaction. But they are clouded by the question of the quid pro quo given to the accommodating endorser. If a reciprocal endorsement is given in return, and secretly, there is the certainty of inflation by the production of two notes where one only is needed by trade demands. They are connected in the lender's mind with the practice, of dubious morality, of not acknowledging the endorsements as liabilities, until the maker has defaulted. Nobody likes to lend money on mysteries. When the endorsement is that of a concern affiliated by common ownership, it adds nothing to the responsibility behind the note, but may mislead the uninformed. It is only where an endorsement or acceptance is from a party thoroughly independent of the maker that it is of any value; and in such case the nature of the consideration should be disclosed in order to forefend distrust. The safety of such bills depends entirely upon an intimate knowledge possessed by the discounting bank of the character, ability and means of both parties to the transaction, and they are therefore unfitted for open market transactions. And when made on a large scale, as in a recent deplorable instance, they are a distinct menace to financial weal. They are in no sense self-liquidating.

IV. Promissory notes secured by merchandise are mentioned specifically in the latter part of this section of the act. Unsold merchandise is of undeterminate value, and a note based upon it is no more self-liquidating than the merchandise itself. Like all other speculative notes they require a continual scrutiny of the markets for the merchandise by which they are secured. Such notes are often given by manufacturers for purchases of raw materials, in which case they are generally paid off when the raw material is drawn from warehouses and used in production. Notes secured by merchandise are not self-liquidating, as they require the effort of selling to provide the funds wherewith to pay.

V. Single-name paper. Our modern American methods of cash or short maturity transactions, modified to a degree by customs of delivery of certain classes of merchandise in advance of the selling season, give rise to vast amounts of book accounts receivable, payable at fixed dates, but subject to the indeterminate influences of flexible terms of credit and of implied warranties, the two collectively producing a mean variation of between two and three per cent. These being incapable of the certainty prerequisite to note settlement, it has become the custom of the wholesaler to obtain capital for further operations through the sale on the open market of his plain promissory note for a round amount, adjusting its maturity to that of his book accounts receivable, so as to give a self-liquidating quality to his own notes. In its current form it represents a past transaction just as much, if not so specifically, as a bill of exchange. Such paper has always been in demand from bankers and in times of trouble the self-liquidating quality transmitted from the book accounts behind it has made its recurrent maturities the chief cash reliance of the banks, taking the place of the secured call loans which, theoretically liquidable on demand, are at such times congealed by the stoppage of markets, and unsalability of collaterals. No moratorium has ever been demanded for the single-name promissory note, even when the banks generally have failed in their obligation to pay cash to their depositors, or gold to their note-holders; nor even when its makers may have asked for delay in the settlement of their book accounts payable. Such notes can be put in the status of two-name paper only by accommodation endorsement.

If required by law, or by regulation of the Board, two or three-name paper will be manufactured to order. It will then represent the obligation of the

less scrupulous of traders, and will be subject when made in a large way to the disadvantages adherent to accommodation endorsement for purposes of finance.

But it is clear, from the nature of dorsed or unendorsed, that it is either issued or drawn for "commercial purposes or the proceeds of which have been used or are to be used for such purposes," and so within the inclusions of the act.

DISCOUNT MARKET

THE value to our business as well as to our finance of an open discount market, such as prevails abroad, and of an entrance into the international discount market, is not to be underrated, even though the immediate importance of the question at this crisis may seem small. But it is clear, if our analysis of the existing stage of development of business custom in the United States is correct, that there is no way by which inland bills of exchange, such as foreign dealers are accustomed to, can be created through purely business transactions, out of the first-class obligations now current and likely to remain current in this country. If forced by law or regulation. fictitious situations can doubtless be created, which will give rise to specious imitations of the article desired; but with such transactions the more honorable part of the commercial community will have nothing to do. The only result of such attempted regulation would be to discourage straight-dealing, and to create a second-class security in place of a prime obligation such as now exists.

Out of this dilemma there are two avenues of escape. The first is the education of the foreign bill broker to our credit methods; the second is the open acceptance or accommodation endorsement for a consideration of inland trade drafts by banking institutions, such as has already been begun by several of our leading financial institutions. This practice affords the guaranty of large and imposing capitals to a finance bill capable of currency in any market of the world. Of course, in case any Reserve Bank should wish to use the international market it could make bills of the very highest class by adding its endorsement to the contents of its portfolio; a process which if not now legalized might easily be the subject of legislation in the future.

It is plain from the foregoing analysis and description of the various kinds of commercial paper currently used in transactions described as admissible under the act, that the final criterion of any given piece of paper is the credit of its maker. That credit is dependent in part upon the character, in part upon the ability, in part upon the capital of the man or men who accept the responsibility for it by their signatures. As to whether any given piece of paper is worthy of discount by a Federal Reserve Bank is a question which must be decided by the officers of the bank itself. They have every means of arriving at a judgment on the questions involved. They are usually close enough to the transaction which it represents to warrant a valid judgment.

Considering the past success of our banking system in selecting notes of the best class for their portfolios is it not likely, at least at the start, that if unhampered by any regulations, the directors of the Reserve Banks are allowed to discount for their banks those kinds of paper with which as bank officers and as merchants they are most familiar, the best results will presently be attained? In case of any exception to this probability, the Reserve Board has three representatives on the directorate of every Reserve Bank to warn it of reckless conduct or of impending trouble. Trade customs which have been built up by generations of wise and successful business men and bankers, in the slow process of adapting their methods to necessary economies in distribution, and to the needs of the seventeen hundred thousand firms, individuals and corporations actively trading in this country, cannot wanton-

ly be overturned without peril both to the economic and moral health of the business and banking structure. And for these reasons, we urge that in exercising your right of determination and definition, or withholding from the present exercise of that right as you the mercantile promissory note, endeem most proper, you will agree with us "that commercial paper in the present form and use be accepted by the Federal Reserve Board from member banks for discount and currency issue purposes.

APPENDIX

COMPUTATION showing result in terms of commercial paper issues and of office detail, of changing (a) the present short-time system of settlement in sales of manufactured goods to (b) that of settlement by four months' bills of exchange.

The merchandise is supposed to be, at first cost, of $12,000 annual value, distributed from manufacturer to wholesaler at the rate of $1,000 per month in two equal shipments of $500

	Notes Created	Debt Created
A. On present terms		
Constant debt from wholesaler to manufacturer, open acct......		$500
Note of manufacturer to carry this debt with 20 per cent. margin	$400	
On average of forty days, constant debt from retailer to wholesaler..		1,600
Note of wholesaler to carry same with 20 per cent. margin.....	1,300	
Constant debt created, notes and open accts..............	$1,700	$2,100
In one year, total of six months paper, pieces created, ...		4
B. On four months credit settled by bill of exchange or note		
1 Transaction between manufacturer and wholesaler, due continually 4x1000		4,000
2 Transactions between wholesaler and retailers, due continually 4x1200		4,800
Constant debt created		$8,800
Notes needed to settle debt from wholesaler to manufacturer, 8, of $500 each equals	$4,000	
Notes needed to settle debts from retailers to wholesalers, 160, of $30 each equals	4,800	
Notes constantly in circulation............	$8,800	
In one year, total number of pieces created of four months paper, 168x3 equals		504

Results compared:	Amount	Pieces
Note settlement basis—paper outstanding............	8,800	
(Notes annually required............		504
Present settlement basis—paper outstanding............	1,700	
(Notes annually required)............		4
Increase	$7,100	500
Increase in amount of outstanding paper............	417%	
Increase in annual office operations............	12500 per cent.	

It will be observed that under present terms the amount of paper created to carry the entire series of transactions is *less* than the total amount of debt created by such transactions, while under the bill of exchange plan the notes are *equal* to the debt created. This means a lowering of the self-liquidating quality of the bill of exchange, as compared to the promissory note, with margin, based on book accounts receivable.

each; and from wholesaler to retailers, with twenty per cent. gross profit, also in equal monthly installments in forty shipments averaging $30 each.

SUPPLEMENTARY

Views of Mr. Page on the Reserve Board's Regulations Regarding the Status of Commercial Paper Eligible for Discount

SINCE this brief was submitted to the members of the Federal Reserve Board at their request, the status of commercial paper eligible for discount at the Federal Reserve Banks has been tentatively established by regulations Nos. 2, 3, 4, 5, 6 and 13, issued under date of November 10 over the signature of the Governor of the Federal Reserve Board.

In the main these regulations are in accord with Plan B outlined in the brief. While the information required of the maker of the note is in excess of the general practice, an advance in this direction is in line with the most improved and progressive methods which merchants have gradually come to adopt. It must not be forgotten that statements of condition, often compiled and considered, are a safeguard to the merchant as well as to his creditors, since they often disclose to him the beginnings of conditions or of tendencies which, if taken in hand at the outset, will avoid possible future entanglements and troubles. They form a basis for discussion with business friends or one's bankers, often opening the merchant's eyes to conclusions arrived at through a wider experience than his own. The regulations put forward in these circulars, it seems to me, call for no comment except in two particulars.

The first of these is the exaction of a profit and loss account. There is a natural indisposition on the part of business men to disclose the amount of their profits; for the reason that in a widely scattered statement such a disclosure is very likely to get in the hands of competitors and so to become the basis of unfair methods of competition. If the profit is large the insinuation is likely to be made that an excessive margin is being exacted from customers and clients. If the profit is small or, as will always happen some time in the course of years, a vanishing quantity, it can be used to injure a competitor's credit in a very unjustifiable way.

It seems to me that a modification should be made in this requirement, confining such statements, when made, to the banks with whom the debtor deals; leaving the question of the satisfactoriness of such a statement open for private discussion with the officials of a Federal Reserve Bank by parties who are intimately acquainted with the nature of the business and who have no motives to use such information unfavorably to the maker of the note.

That a statement should show "the maximum aggregate amount up to which the concern supplying this paper expects to borrow on short credit or sale of its paper" * * * obliging "it to obtain the member bank's consent before exceeding the agreed limit," is under actual conditions of trade a regulation with which it is impossible to comply in good faith. Modern methods of quick trading demand immediate decision when a business proposition is placed before a merchant; this may involve the safe and conservative expansion of his liabilities in order to carry advances to clients based on adequate security, or it may be in the nature of a provision for legitimate but sudden expansion of purchases in response to trade demands, neither of which can be forecasted at long range.

Under such circumstances, while it is proper and customary to consult confidentially one's own banker as to the financing of such operations, it is obviously impractical to approach a number of scattered noteholders for their permission to do a legitimate act, which is conditioned only by the pros-

pective doer's character and ability. It is probable that this requirement, which is absurd on its face, was interjected in the haste of preparation, and without due consideration of its consequences, in order to satisfy persons whose knowledge of modern mercantile methods was acquired at long range. So far as business practice is concerned, in all probability it will be either evaded or ignored. But it opens a door to the establishment of a bad practice on the part of the borrower or of petty tyranny on the part of the lender, either of which is detrimental to the moral interests of business as well as to the welfare of the new banking system, which will shortly be in need not of funds but of safe investment for its assets. In such investment, so far as commercial paper is concerned, it will be idle to strive to find in technicalities a substitute for that intelligent reliance upon the character and ability of the borrower, upon which the safety of all credit transactions ultimately depends.

EDWARD D. PAGE.

BANKERS perform the functions of public conservators of the moral virtues. From motives of private interest they encourage the prudent, the punctual and the honest. * * * There is many a man who would be deterred from dishonesty by the frown of a banker, though he might care but little for the admonitions of a bishop.

—GILBART ON BANKING

Eliminating Unprofitable Checking Accounts

By W. R. MOREHOUSE, Assistant Cashier German American Trust and Savings Bank, Los Angeles

BANKS as well as railroads and other corporations are often forced in times of general business depression to retrench, or, in other words, to reduce the cost of doing business. The almost universal practice is to begin with the payroll, therefore the employees are the first to be affected, some are dismissed from the service, while those remaining are required to carry in addition to the work which they were previously doing that left by the dismissed employees. In dollars and cents the bank which follows this course reduces overhead expenses materially, but not without reducing proportionately the quality of service rendered the patrons of the institution; and therefore it happens that instead of making a saving there is actually a loss, for the price of inefficient service is represented by the value of old business lost and no new business gained.

Another means often resorted to is to reduce the appropriation for advertising and new business, which will also mean a savings in dollars and cents in the expense account, but not without reducing to a minimum the prospects of securing new business.

Inasmuch as efficient service will do much toward conserving business already secured, and advertising is a means for securing new business, these factors are essential, especially during times of depression when the prevalent tendency is for depositors to withdraw their funds.

IF a bank of necessity must reduce the cost of doing business, no mistake will be made if the first step taken is in the direction of an immediate elimination of unprofitable checking accounts, and only when the volume of business has actually been lessened by this process is it well to reduce the number of men employed or if need be curtail the expenditure for advertising.

Let every account be considered from the standpoint of profit or loss to the bank. If the profit is only $1.00 the bank can afford to carry the account, but if kept at a loss though it be small, the bank is justified in considering closing the account; at least, it can do no less than insist that the depositor build up the balance to a point which will enable the bank to make a profit.

Keen competition, the high cost of doing business, and the liberal rate of interest paid on deposits have had much to do with forcing the banks to insist that every account must produce a profit, whether it be small or large. And yet in view of the fact that small checking accounts are maintained at a loss there are banks which are to-day encouraging the public to open these accounts as a means of paying their small bills by check. No one will question the convenience afforded by this practice, but nevertheless it is unreasonable to expect a bank to extend a favor of this nature when by doing so it actually sustains a loss. If carrying these small checking accounts encourages thrift among the American people, there would then be some argument for continuing them, but such is not the case; in fact, they provide an easy way for spending money.

It is to be hoped that in the very near future this practice will be discontinued; in fact, we are assured that

such will be the case to a very large degree, for never before in the history of banking have so many banks given such close attention to the character of accounts found upon their books. They are counting the cost; many of them know already, and not only do not encourage the opening of small checking accounts, but have actually placed a limit or minimum amount they will accept before opening the account. This minimum ranges from $100 to $1,000, and because of this minimum many persons whose accounts would prove unprofitable are excluded. But notwithstanding a preventive is found in having a minimum, many persons will deposit the required amount for opening an account without any intention of maintaining thereafter an adequate balance, and thus unsuspected many undesirable accounts creep in. To be effective, the bank requiring a minimum upon opening an account should also require that the average balance maintained in the account be no less.

It is because these unprofitable accounts have crept into our banks and are absorbing the earnings, that this subject is of paramount importance.

Every banker knows that it is this same class of business that keeps the teller on guard for fear that the bank may sustain a loss, and it is the same business which gives the bookkeepers a large amount of work. In fact, in many instances these accounts are nothing short of a public menace, for fully ninety per cent. of checks returned by the paying bank for insufficient funds are drawn on accounts where only a small average balance is maintained.

The primary object of this article is to urge bankers who have never seriously considered the elimination of dangerous and unprofitable accounts to act at once and firmly. As to a plan to follow in carrying out this suggestion, it is recommended that each banker first read all available matter dealing with this subject. A few suggestions are offered, and it may be stated that they are fundamentals found in many workable plans.

THERE are two things which stand out conspicuously, and because of the important relation they bear to this work, must always be borne in mind when classifying and analyzing accounts, namely, the activity of accounts and the length of time an account has been open. An account that may be called dormant will produce a profit and be well worth continuing notwithstanding the balance is only $75, while a very active account having an average balance of $10,000 may be kept at a loss and consequently not worth retaining. Therefore in every case special attention should be given to the activity of the account.

Another factor which should always be taken into consideration is the length of time an account has been open. There should be a distinction between accounts opened within a year and those opened for a longer period, for while the value of the old account is well defined, any calculation made on the new account is more or less speculative. In nearly every instance it is preferable to allow all new accounts to remain a reasonable time before passing judgment as to their value. The account of a farmer is at its maximum soon after the sale of his crops, and at a minimum just prior to that sale. In the case of the merchant his account will reach a maximum during the holidays and be at low ebb during the summer months when business is dull. However, the number of comparatively new accounts are but a small per cent. of those to be analyzed, and may be treated separately and if thought best at a later date.

CLASSIFICATION OF ACCOUNTS

THE work of classifying accounts is not so important as analyzing them, and may be undertaken by an

CLASSIFICATION OF ACCOUNTS.

TITLE OF ACCOUNT OR DEPOSITOR'S NAME	PAGE	CLASS ONE AVERAGE BAL. EXCEEDS $500.00	CLASS TWO AVERAGE BAL. $100.00 TO $500.00	CLASS THREE AVERAGE BAL. UNDER $100.00	CLASS FOUR INCLINED TO OVERDRAW RESPONSIBILITY DOUBTFUL.	REMARKS.
Troy Laundry Co	110	$8,500				
J. C. Williams	112		$350.00			
Mrs W. B. Smith	113			$40.00		
Acme Investment Co	114				$60.00	careless as to checks
H. A. Clark	115			$75.00		
Diamond Polish Works	116		$200			draw many small checks
Sterling Furnace Co	118	3,000				
A. C. Phillips	124		$400			
Nick Haines	130				$20	
Burbank Co	132	$1,500				
W. S. Lewis	150			$60.00		atty for Ry.
Lane & Co	152	$15,000				
Horace Stowe	170			$20		
Alice Conaway	171		$300			
Burt Smith	174				$25	
Blake Paper Co	175		$250.00			
Appel Bros	178		$200			
Abe Diamond	180				$80	

CLASSIFIED BY R. S. McElroy
auditor

DATE Dec 1st 1914

experienced clerk, while the work of analyzing accounts should be under the supervision, if not the personal attention, of the auditor or the chief clerk, or in the absence of both given to some person of more than the average ability in statistical work.

The character of accounts varies in

the different sections of the United States, much of which is due to nationality of depositors, their occupation, their inclination toward saving, and conditions of the surrounding country. Therefore no standard form is applicable to all banks, and any form may be used which will classify the accounts as seems best to the management. The bank which uses the form shown divided its accounts into four distinct classes, namely: Class one, two, three and four, and considers all accounts showing an average balance of more than $500 to be desirable, and then it rates all second-class accounts with an average balance of more than $100, but not more than $500. Class three accounts are those having an average balance of less than $100 and will be first analyzed. All accounts listed in Class four are not affected by the average balance, but for good reasons are closed out without being considered from the standpoint of profit to the bank. One good reason why every bank should dispose of all undesirable accounts is that there is too much desirable business unsecured for any progressive bank to waste its time with accounts which are apt to become a source of trouble and expense.

ANALYZING ACCOUNTS

DIFFERENT plans for analyzing accounts have been used from time to time, but only such as are thorough in this work have given satisfactory results. A few banks still use the average balance as the basis for determining the value of each account carried, and for this reason whatever results they have obtained have been only speculative. Bank accounts vary in activity, in balance, and, in fact, so many ways, that each account should be considered separately, and compelled to stand solely on its own merits. Certainly the results to be obtained by an analysis mean too much to the banker and depositor alike to be treated carelessly.

If the results are incorrect it will happen that a good customer suffers the consequence, and solely because the analysis was only superficial. In every case banks should try an account as with fire to know beyond doubt whether there is sufficient merit in the account to warrant continuing the account on the bank's books.

First, the cost of carrying an account must be known, and secondly, the rate of profit derived from the loanable funds maintained in the account.

In this connection it may be said that each individual account should be debited with all checks paid and deposits made, and the charge per item is about three cents each, on transit items about two cents each, clearing house items cost about one cent each, and city collections about five cents each. However, the cost may vary a little. The next item to be charged against the account is one that is too often overlooked by the average banker, it refers to uncollected funds which have been credited to an account and which shows in the deposits, notwithstanding the funds are not in the bank's hands.

Accounts that show a good average balance will often be found to be carried at a loss, solely due to funds credited thereto but uncollected. In fact, there are many depositors whose loanable balance is practically nothing although the average balance shown in the account is large. Now that so many banks are paying interest on checking accounts it will be well to pay only on funds that are collected and available for loaning, otherwise a loss is sustained. We too often forget that we live in a country of vast expanse, and that it takes a check nearly seven days to pass from one coast to the other. If the proceeds are returned instead of credited with a correspondent, it will require another seven days, and during the two weeks the funds represented thereby have not produced a penny for the bank collecting them. In arriving at the cost of an individual account it will be necessary to charge its proportion of the

stationery expense, overhead, administration. etc. As these last named items vary in different banks it will be necessary for each bank to treat them according to circumstances prevailing.

Banks having but one class of accounts will experience little difficulty in adjusting the individual cost to each account for the last named expenses, but banks having both a savings and commercial department which necessarily means two or more classes of accounts, will find this adjustment more difficult to make. For instance, take a bank that has $16,000,000 of savings deposits and $5,000,000 of commercial deposits, and it will require considerable work to arrive at the proper adjustment of overhead expense. It will require just as many employees to handle the commercial deposits as it will take to handle the savings accounts, therefore, the cost per dollars for the item is far greater with the commercial accounts. On the other hand, we find that a higher rate of interest is paid on the savings accounts, therefore, the cost of retaining the deposits is greater than on the commercial accounts.

In California banks are required to carry in cash twenty-five per cent. of the deposits in the commercial department, and only four per cent. in the savings department. This allows a bank to invest nearly all of the funds represented by savings deposits, while it must retain one-fourth of the commercial deposits in cash.

It is only reasonable that at least four-fifths of the cost of maintaining the loan department be assessed to the savings accounts since at least four-fifths of the loans are saving loans. This is another item to consider in arriving at a correct basis.

If a part of the deposits are bank deposits it is quite difficult to know just what amount of the cost should be charged to these accounts. They require special service and in many instances the personal attention of one or more officers, and therefore cost more from this standpoint than individual or corporation accounts.

When all accounts have been analyzed there will be found a large number which so far as the balance is concerned, will show a loss to the bank, and unless there is some special reason for continuing the accounts these should be closed out at once. But we should go farther than a mere analysis of the dollars and cents involved, and before any action toward elimination is taken make an inventory of the depositor. In a few cases there will come to light through such an investigation good and sufficient reasons why the bank should continue the account, notwithstanding the first analysis indicated that the account was kept at a loss and therefore should be closed. If the depositor is in business, the bank ought to consider the nature of it; if he holds a position only, is it one of influence? Do the bank records show this depositor has been instrumental in bringing in and introducing new depositors? Has he relatives doing business with the bank, in which case might he be able to prejudice them if invited to sever his relations with the bank? Are his habits good? Is he a mixer? These suggest a few of the points which should always be considered, and let no account be eliminated until questions appertaining to the depositor have been satisfactorily answered.

If it can be shown that the depositor wields a certain amount of influence in the community, is successful in business and of good habits, there is every reason to believe that what would be better than elimination in his particular case is stimulation. Invite such a person to call, and take up with him personally the building up of his account to a point where it no longer will be maintained at a loss to the bank. In all probability he will fully appreciate the bank's position in the matter and will agree to remedy it at once or at a definite early date.

In many instances the owners of a larger per cent. of the unprofitable checking accounts are not aware of the fact that the bank carrying the account does so at a loss. Many a

depositor has been led to understand from the encouragement which a few banks have given to the opening of small checking accounts that the same are profitable, and for this reason a majority of persons carrying small accounts are greatly in need of information. It is not far fetched to state that not more than five per cent. of bank depositors have any conception whatever as to the actual cost to the bank of maintaining their account, and it is to be expected that if they knew the facts they would gladly increase the balance to a paying basis from the bank's standpoint.

If after allowing the depositor whose account is listed for elimination the benefit of whatever value there may be in his influence, there is still insufficient reason for continuing the account, the decision to eliminate may be further substantiated by treating the account from another point of view. Learn how many checks have been returned for insufficient funds, also if the depositor has been known to post date his checks. Does he kite his checks? Is he a habitual borrower? If the answer is in the affirmative the bank may proceed to eliminate the account with the assurance that it is not making a mistake.

DEPOSITORS SHOULD BE INTERVIEWED

In no case notify a customer to close his account. This method does not permit the depositor to defend himself, and it will frequently happen that had this person been interviewed he may have been able to throw additional light upon the account, which would reverse the decision to close it out. It is highly recommended that a letter be sent to the depositor, inviting him to call on the writer at his convenience, but without stating the reason. The depositor does not know what is wanted, and generally reports within a day or two at most. The officer has the advantage for he knows the subject to be discussed, while the depositor is not prepared, at least he is not on the defensive. The officer greets him in the most cordial manner, and then diplomatically introduces the reason for his invitation to call. In no instance is it hinted to the depositor that the bank has already decided to close out the account, and that there is no recourse for the depositor, but instead of a statement to this effect, the officer simply explains item by item that the account is carried at an actual loss to the bank, and if it is known just what the loss is it is advisable to give the amount. Usually the depositor will appear greatly surprised, and approximately twenty-five per cent. will volunteer to build up the balance immediately; others will simply make the statement that being on a salary and with no other income it is not possible to carry a larger balance.

In an endeavor to eliminate these unprofitable checking accounts some banks have made a charge of from fifty cents to $1.50 per month to cover the cost of keeping the account. This from the banker's standpoint is not unreasonable. However, depositors so charged are apt to close out the account, feeling that the charge is a "graft." While there is no loss sustained so far as the account is concerned, it is preferable that all depositors, before severing their connection with the bank, have explained to them the bank's position in the matter.

The officer should not hesitate to inform all persons interviewed that whatever effort they have made in building up the bank's business is appreciated, and also that the bank regrets that it can no longer carry checking accounts at a loss. In a few instances the depositor will be quick to apologize for the small balance carried, and while he may not give any assurance for the future, it need not be a surprise to the officer if this very person should refer to his efforts in securing new business, and as in one case with which the writer is familiar "make good." The

person referred to gave the names of three persons whom she had introduced for new accounts, and upon investigating it was found that the persons named had accounts with a total deposit of more than $6,000, and the records of their accounts showed they were introduced by this lady.

It is very evident that it pays well to interview every customer personally before closing an account. If there is no alternative but for them to sever their relations with the bank, the bank's reasons should be put before them concisely and without misrepresentation of facts, or else the depositor becoming offended may seek revenge by uncomplimentary reference to the bank. The success of the elimination of accounts depends very much on the officer handling the customers. If they go away feeling that the action of the bank is justified, he has succeeded, whereas if the depositor feels that the bank is unjust because a man has limited means, the results are unsatisfactory. As soon as the elimination of unprofitable accounts has been accomplished, the bank can begin to retrench on the payroll. With hundreds of undesirable accounts eliminated, the work is lessened very materially and a number of employees at least may be dismissed without lessening the service to the public.

If a bank will turn the same effort which it is putting into maintaining unprofitable accounts into promoting thrift among the American people, whatever is lost in deposits by the elimination will soon be returned fourfold, and in a far better class of business.

Recent Amendments to the Savings Bank Law of New York*

By E. C. McDOUGAL, President Bank of Buffalo, Buffalo, New York. Member of Sub-Committee on Savings Banks of Commission Appointed to Revise Banking Law of New York.

PERHAPS the most important change in the law is to be found in the recognition by the legislature of the necessity of a fund, whether it be called "guaranty fund," as it is in the new act, or "surplus fund," devoted to the protection of depositors. Under the old law there were provisions limiting the amount of the surplus fund which savings banks might accumulate, but the law was entirely devoid of any provision requiring a savings bank to have any such fund, and no credit can be given to the law, as it existed prior to this revision, for the fact that the savings banks of New York State had built up large surplus funds to protect their depositors. It is true that some of these requirements as to guaranty funds are not very strong, and that for the good of the savings banks as a whole there might well be a further increase in the percentage of earnings which should be set aside from year to year. Nevertheless, the great gain made in the new banking law is the recognition by the legislature that some guaranty fund or surplus is absolutely necessary, and that a guaranty fund of ten per cent. of the amount due its depositors is

* Extract from address at the Richmond Convention.

the minimum which should be required of a savings bank. I shall discuss the details in their proper place.

Section 234 of the new law requires that the incorporators of a new savings bank shall deposit, in cash, as an initial guaranty fund, at least five thousand dollars, and that they "shall also enter into such agreement or undertaking with the Superintendent of Banks, as he may require, to make such further contributions in cash to the guaranty fund of such savings bank as may be necessary to maintain the solvency of the savings bank and to render it safe for it to continue business." It is also provided that the Superintendent may, in his discretion, require a surety bond in connection with this agreement.

I presume that many of you know that, in the State of New York, savings banks are mutual associations, the starting of which requires the paying in of no capital stock. All of the assets of New York State savings banks are owned by the depositors. Unless some such provision were made, a savings bank could start without either capital or surplus. You will remember that, in the new law, the words "guaranty fund" are used in place of the old word "surplus."

Section 235 also provides that the incorporators shall deposit in cash an additional sum of five thousand dollars for an expense fund, and enter into an agreement with the Superintendent of Banks to make such further contributions as may be necessary, he to have the power, in his discretion, to require a surety bond in connection with such agreement.

Section 236 also provides that interest shall be paid to the contributors upon the expense and guaranty funds at the same rate as is paid to depositors, and that, when the earnings of a savings bank warrant such action, the contributors shall be reimbursed the amount of their contributions in whole, or in part *pro rata*. These contributions are represented by transferable certificates that may be assigned and bequeathed in the same manner as other personal property. The main reason for these amendments is proper protection of depositors and incidentally assurance against the springing up of an unnecessary number of weak savings banks formed by irresponsible promoters. It was argued by a number of the members of the commission that incorporators of new savings banks would not comply with such conditions and that the result of the law would be practically to prohibit the organization of new savings banks. The First Deputy Superintendent of the Banking Department answered this by saying that incorporators had been doing this very thing in a number of cases because the Superintendent of Banks had required it, and that those starting a savings bank were just as likely to contribute their cash towards such enterprises as towards other philanthropic enterprises. He also stated that the practice had worked out well during several years of experiment and that the department thought that the discretionary power which the Superintendent had assumed with such good result should be authorized by statute. These are the main reasons for these provisions.

INVESTMENTS

INVESTMENTS are treated by the commission very conservatively. Very few changes, and practically no important changes, were made in the old law. The commission itself felt that it would be distinctly to the advantage of the savings banks of New York State that they should be given permission to invest in equipment notes of good railroads and other short-term securities of a like nature in order that they might not be compelled to invest so large a proportion of their assets in long term bonds which carry with them such a large risk of depreciation in financial crisis. Savings bank men present have only to ask themselves what they could sell their gilt-edge bonds for to-day were the Stock Exchange opened and the bonds thrown

on the market, as compared with the price at which they are carried on their books, to realize the force of this suggestion. While I am not absolutely positive on this point I am inclined to believe that this new provision was left out of the savings bank law at the request of many of the conservative savings bank men of New York State who thought it not for the best interests of their depositors. Personally, I do not agree with this opinion, but my experience is only that of a commercial banker. Had I the valuable savings bank experience of the gentlemen who advised against this measure, I might have thought as they did.

One of the anomalies of the old law was that there were many securities in which savings banks were allowed to invest, but which they could not take as collateral security for loans. It is perfectly plain that this was absurd. The new law permits savings banks to take as collateral for loans any securities in which, by law, they are entitled to invest.

Section 53 provides as follows: "On or before the first day of June and the first day of December each year, the superintendent shall furnish to each savings bank a list giving with such detail as he may deem necessary the estimated market values, either specifically or by classes, at which the bonds held by it, which are legal investments for savings banks, shall be reported at the date of its next semiannual report. In making such valuations the superintendent shall be governed so far as is practicable by actual sales of such bonds as ascertained by him, or as reported by the various stock exchanges and financial papers during the preceding five months, and by general business conditions."

These lists will be of great assistance to all and especially to trustees of savings banks in small cities and villages. Trustees may safely follow them, and, at the same time, be relieved from personal liability in doing so.

This provision enables the Superintendent of Banks to make fair valuations of the investments of savings banks at all times and compels the savings banks to accept such valuations without any quibbling as to so-called investment values based upon the cost of the securities and not upon value in any sense of the word. It also makes the market values, used by all savings banks, on the same securities, absolutely uniform, which was practically impossible under the old law even if every savings bank had honestly done its best to use the true market values.

There is one new provision in Section 239, subdivision 9*c*, which reads as follows: "The trustees of a savings bank shall not be held liable for investing in State or municipal bonds named in the list furnished by the Superintendent of Banks pursuant to section fifty-two of article two of this chapter, or in any railroad bonds mentioned in such list, which have been legally issued and properly executed, unless such savings bank shall have been notified by the Superintendent of Banks that, in his judgment, such bonds do not conform or have ceased to conform to the provisions of this section."

Section 241 provides that there shall be delivered to a savings bank a complete abstract of title to such real estate, or a policy of title insurance of a title company. I take it for granted that this is simply legalizing what has been the practice of good savings banks.

Subdivision 3, section 265, provides that any attorney for a savings bank, although he be a trustee thereof, may receive a reasonable compensation for professional services, and also that he "may collect of the borrower and retain for his own use the usual fees for such services, excepting any commissions as broker or on account of placing or accepting such mortgage loans."

It was thought there could be no good reason why an attorney should not be paid by a savings bank for professional services even if he were a trustee. It was thought that explicit permission for open and above board compensation, which naturally excludes what is not specifically permitted, was much better than indirect methods.

I still question whether the law should not have gone further and fixed a uniform rate of compensation based on percentages. It might be urged by savings bank attorneys that no two services, covering equal sums, are of equal value, but an average rate probably could be devised that would be fair to all.

NOTICE OF WITHDRAWALS

SECTION 248 contains the following provisions: "The savings bank may at any time by a resolution of its board of trustees require a notice of sixty days before repaying deposits, in which event no deposit shall be due or payable until sixty days after notice of intention to withdraw the same shall have been personally given by the depositor.

"Nothing herein contained, however, shall be construed as impairing contracts heretofore made between savings banks and their depositors as to notice of withdrawal, or as prohibiting any savings bank from making payments of deposits before the expiration of said sixty-day notice.

"But no savings bank shall hereafter agree with its depositors in advance to waive said sixty-days' notice nor shall it in the case of deposits hereafter made require a longer notice than the sixty days aforesaid."

Prior to the enactment of this section the whole matter of requiring notice, and the length of the notice, was settled by the by-laws of each bank, so that some banks were in position, under the old law, to require sixty days' notice, some were limited to requiring thirty days' notice, others could require ninety days' notice, all of which led to confusion at times when notices were required, that was thought undesirable. The present section regulates the whole matter and makes sixty days the standard.

It also provides that a savings bank, taking proper precautions, may pay to the apparent heirs of a depositor who dies leaving no will, and for whose estate no executor or administrator is appointed, any balance due not exceeding two hundred and fifty dollars. Every savings bank officer of experience knows that there are many cases in which the expense of court proceedings and the appointment of executors or administrators would eat up the greater part of the small balances left by deceased depositors. Some savings bank officers have illegally taken the risk of making such payments. The present statute legalizes them and protects savings bank officers in making them.

JOINT DEPOSITS

SECTION 249, referring to joint deposits, payable to either or to the survivor, additionally provides: "The making of the deposit in such form shall, in the absence of fraud or undue influence, be conclusive evidence, in any action or proceeding to which either such savings bank or the surviving depositor is a party, of the intention of both depositors to vest title to such deposit and the additions thereto to such survivor."

This makes more certain the right of savings banks to pay the survivor when the deposit was made payable to two depositors jointly, or to the survivor in the case of the death of one of them.

Section 251 permits a savings bank to carry twenty per cent. of the aggregate amount of the deposits uninvested and in cash. Heretofore this amount was limited to ten per cent.

It gives a wider discretion to the trustees of savings banks as to the time at which deposits should be invested, by allowing them to retain uninvested a much larger portion of the receipts. Under the former statute they were required to invest all but ten per cent. of the moneys received permanently, even though market conditions were most unfavorable, instead of holding the deposits until they could be advantageously invested.

CREDITING THE GUARANTY FUND

ONE of the most important amendments is contained in Section 255, which reads as follows: "If at the close of any dividend period the guaranty fund of any savings bank be less than ten per centum of the amount due to depositors, there shall be deducted from its net earnings for such period and credited to its guaranty fund five per centum of its net earnings during the year nineteen hundred and fourteen; six per centum during the year nineteen hundred and fifteen; seven per centum during the year nineteen hundred and sixteen; eight per centum during the year nineteen hundred and seventeen; nine per centum during the year nineteen hundred and eighteen; ten per centum during the year nineteen hundred and nineteen, and ten per centum during any year thereafter in which a dividend shall be declared or so much of such percentages as will not compel it to reduce its dividends to depositors below the rate of three and one-half per centum per annum. The amount of net earnings remaining after such deduction for the guaranty fund and its undivided profits shall be available for the declaration of dividends for such period.

"While the trustees of a savings bank are paying its expenses or any portion thereof, the amounts to be credited to its guaranty fund shall be computed at the same percentages upon the total dividends credited to its depositors instead of upon its net earnings."

There was considerable difference of opinion concerning the percentages which should be named in this section, some of the members thinking that the percentages finally adopted were ridiculously low. The majority of the commission thought that it was of great importance to establish the principle that some sum must be set aside regularly, that it was better to make a start in the right direction even if the initial percentage was very small and lower than what most banks habitually set aside, that the start should be made and the percentage gradually increased. The commission took into account the probability that before the percentage of increase had reached the maximum, gilt-edged bonds would have recovered from their present depression and that it would be as easy for a savings bank to set aside ten per centum during the year nineteen hundred and nineteen as to set aside five per centum now.

Section 256, sub-division 6, provides as follows: "The trustees of any savings bank whose undivided profits and guaranty fund, determined in the manner prescribed in section two hundred and fifty-three of this article, amount to more than twenty-five per centum of the amount due its depositors, shall at least once in three years divide equitably the accumulation beyond such twenty-five per centum as an extra dividend to depositors in excess of the regular dividend authorized. A notice posted conspicuously in a savings bank of a change in the rate of dividends shall be equivalent to a personal notice."

The experience of the past ten years has proved that the limit of fifteen per cent. previously placed upon a savings bank surplus above which it would be obliged to declare extra dividends is not a sufficient margin of safety.

Under the new law this guaranty fund is based upon estimated market values. Under the old law the amount of the surplus, which was the equivalent of what we now call the guaranty fund, was estimated on the market value of securities only when the securities were below par, otherwise upon the par value of the securities.

STATEMENTS IN REGARD TO SURPLUS

SECTION 258 provides: "No savings bank shall hereafter put forth any sign or notice or publish or circulate any advertisement or advertising literature upon which or in

which it shall be stated that such savings bank has a surplus or guaranty fund in excess of its market value surplus or guaranty fund as determined under the provisions of this article, unless the nature of the same be clearly made to appear."

This section was included because some savings banks were using, for advertising purposes, valuations showing surpluses much in excess of those allowed by the Banking Department. I cannot, however, conscientiously say that this practice is confined to savings banks. I have known a bank or a trust company to publish, as required by law, in an obscure corner of a paper, its official sworn report showing its proper surplus, and then, the next day, or the very same day, publish, for advertising purposes, a statement based on book valuations and showing a much larger surplus.

Section 267 provides that a trustee of the savings bank shall not:

"(c) Direct or require a borrower of the savings bank on mortgage to negotiate any policy of insurance on the mortgaged property through any particular insurance broker or brokers, or attempt to divert to any particular insurance broker or brokers the patronage of borrowers from the savings bank, or refuse to accept any such insurance policy because it was not negotiated through a particular insurance broker or brokers."

This provision was included because savings bank men of long experience told the commission that the practice of using the influence of a savings bank official to induce a party to whom it was making a loan to place his insurance with some relative or friend of the savings bank official or some concern in which the official was interested was not so uncommon as might be supposed.

Section 267 also provides that a trustee of a savings bank shall not

"(e) For himself or as agent or partner of another, directly or indirectly, borrow any of the funds or deposits held by the savings bank, or become the owner of real property upon which the savings bank holds a mortgage. A loan to or a purchase by a corporation in which he is a stockholder to the amount of fifteen per centum of the total outstanding stock, or in which he and other trustees of the savings bank hold stock to the amount of twenty-five per centum of the total outstanding stock, shall be deemed a loan to or a purchase by such trustee within the meaning of this section; except when the loan to or purchase by such corporation shall have occurred without the knowledge or against his protest. A deposit in a bank shall not be deemed a loan within the meaning of this section.

"This section shall not be construed to prohibit a savings bank from making a loan to a religious corporation, club or other membership corporation of which one or more trustees of such savings bank may be members or officers, but in which they have no financial interest, nor shall it be construed to prohibit a savings bank from making loans to or purchasing guaranteed mortgages from any stock corporation, provided no trustee owns more than fifteen per centum of the capital stock of such corporation, and the total amount of such stock owned by all the trustees of such savings bank is less than twenty-five per centum of such capital stock."

Under the old law it was provided that no officer or trustee should have an interest in a loan made by the savings bank. Under this section it had been held by the Attorney-General that a trustee of a church who was also a trustee of a savings bank vacated his office as trustee of the bank when the bank made a loan to the church, even though it was made without the trustee's knowing anything about it. It was also held that where a trustee of a savings bank was a stockholder in a corporation which subsequently purchased a piece of real estate upon which the savings bank held a mortgage, that such trustee *ipso facto* vacated his office as trustee. Section 267 is an effort to straighten out these relations so that a trustee

will not vacate his office if his interest in the mortgaged property is trivial and negligible, and at the same time to protect the bank from having a trustee have loans made in which he has a genuine though indirect interest.

PENSIONS TO OFFICERS AND EMPLOYEES

SECTION 271 is as follows: "A savings bank may, in the discretion of its board of trustees, retire any officer, clerk or other employee who shall have served the bank for a period of thirty years or more, or who shall have served the bank for a period of twenty years or more, and shall have become physically or mentally incapacitated for his position or who shall have served the bank for a period of twenty years or more and shall have attained the age of sixty years. Any person retired from service pursuant to this section may be paid in equal monthly instalments at the rate of not exceeding two per centum of his average annual salary for the three years immediately preceding his retirement for each year of service in the bank, but the maximum annual amount paid shall in no case exceed sixty per centum of such average annual salary."

It was represented that some savings banks had been in the habit of pensioning employees; that there was a question whether they had legal authority to do so; that the practice was a proper one and that it should be legalized.

Section 280 provides: "Whenever the losses of any savings bank resulting from a depreciation in the value of its securities or otherwise exceed its undivided earnings and guaranty fund so that the estimated value of its assets is less than the total amount due its depositors, the supreme court may upon the petition of the savings bank, approved by the Superintendent of Banks, order a reduction of the liability to each depositor therein so as to divide the loss equitably among its depositors. If thereafter the savings bank shall realize from such assets a greater amount than was fixed in the order of reduction, such excess shall be divided among the depositors whose accounts were reduced, but to the extent of such reduction only."

As savings banks in New York State have no paid-in capital, but are mutual associations, it is perfectly proper that, in case of necessity, any losses should be immediately adjusted by charging them against depositors *pro rata,* thus restoring the legal solvency of the savings bank.

Section 487 provides: "2. Any two savings banks located in a city of the first class and in the same county or borough, or any two or more savings banks located elsewhere in the State and in the same or adjoining counties are hereby authorized to merge as prescribed in succeeding sections of this article."

This permits the merger of savings banks, so that weak institutions organized under the former system can, in case of need, be taken over by strong institutions without loss to depositors and provides a convenient, easy and economical method of liquidation, should such liquidation become at any time necessary.

"IF there is one lesson of history that is unmistakable it is that national strength lies very near the soil."—DANIEL WEBSTER.

Banking and Commercial Law

CASE COMMENT AND REVIEW

Hypothecating Accounts Receivable

THE practice of borrowing money on accounts receivable is not a new one, but is coming to be a prominent factor in business circles as the idea is encouraged. Banks will sometimes lend on such security; commercial paper is issued on the strength thereof; large and wealthy firms do an extensive business in this line, and merchants and manufacturers everywhere are availing themselves of this form of borrowing.

Accounts receivable are, next to cash, the most liquid asset of the firm; they turn over fast; they mature constantly and bring in a steady stream of money. They are, if good, prime security, and are everywhere recognized as such. The proposition is simple: The firm assigns its receivables and receives a stipulated percentage of their face value, and agrees to turn collections over to the lender; or the account may be paid direct to the latter. The borrower pays well, as a rule, for the accommodation. The amount advanced depends upon the quality of the credit, and the charges likewise are regulated by the risk.

There are firms in New York doing an enormous business in this line, and they find it highly profitable. Bankers as a rule do not favor them, preferring that the customer keep his best liquid asset, and borrow on his note. "Commercial bankers" as they term themselves, advertise for such accounts and specialize in this line. The question arises: Is such hypothecation a sale of the account or a loan of money on security?

In a case presented in this number, the accounts were sold to a banking company at a rate of interest greater than the legal rate, and action was brought to rescind the transactions and recover back the accounts, or the proceeds or repayment of the purchase price with legal interest, on the ground that the transactions were ultra vires. The basis for the charge was that the sales, viewed from the purchaser's standpoint, were discounts; that discounting is a banking function; and that the purchaser although empowered to purchase accounts, could not lawfully engage in purchasing accounts, for this is a banking business, and under the general incorporation laws of Illinois, corporations cannot be organized to do a banking business. It was held that the transaction was a sale, and not an agreement to loan money. (See Chase & Baker Company vs. National Trust and Credit Company in this number.)

Books of Account as Evidence

Published Statement of a Bank as Evidence

IT is a principle of law that books of original entry only are admissible as evidence. What is a book of original entry depends upon the bookkeeping system. A day-book recording the original memorandum of the transaction would surely be so construed. Marks on a shingle have been admitted; likewise a notched stick. A sales slip, a deposit ticket—any written matter recording the details of the

sale is an original entry. A ledger account is not. It is merely an assembly of original entries.

A case involving the admissibility of a bank journal, arising over an overdraft, has recently been tried in Delaware (People's Nat. Bank of Middletown vs. Rhoades, 90 Atl. Rep. 409).

The case also raises the novel point that an overdraft did not exist because such was not shown in a published report as made to the Comptroller of the Currency and that a newspaper copy of the statement is not an original copy, and therefore not admissible as evidence.

The jury disagreed, but the books and printed report were admitted.

Receipt for Deposit

INDIANA

Binding Force of Receipt for Deposit, Issued by One Not Acting as Receiving Teller — Illiteracy — Parol Evidence—Written Contracts

Appellate Court of Indiana, May 14, 1914

FIRST NATIONAL BANK OF GARY VS. JOSEFOFF

A bank is liable on a receipt issued by one other than its receiving teller for money deposited to one who could not read English, upon representations by a clerk with ostensible authority to receive deposits that the money was safe and the bank was good for it.

ACTION by Dimo Josefoff against the First National Bank of Gary. From a judgment for plaintiff, defendant appeals. Affirmed.

STATEMENT OF FACT

THE complaint in effect alleges that at the solicitation of Mike Picar, a clerk in defendant bank, who was duly authorized to act for it, plaintiff deposited in such bank a sum of money in foreign coin equivalent to $452 in United States money; that the defendant bank received the same; and that Picar issued a receipt which is as follows: "Gary, Indiana, January 18th, 1910. Received from Dimo Josefoff one hundred nineteen Napolendo for five months safe-keeping (Personal) 119 Napolenondors M. Picar." Appellant asserts that the complaint is defective and that the demurrer thereto should have been sustained because the writing alleged to be a receipt is a written contract and shows on its face that the deposit was not made with the bank as stated in the general averment, but that it was deposited with Mike Picar personally for safe-keeping for a period of five months.

OPINION OF THE COURT

LAIRY, C. J.: An instrument such as the one set out in the complaint has been held by the courts of this State to be more than a mere receipt. It has been held that the law, which is a silent factor in every contract, imports into a writing such as this the obligation to pay upon a reasonable demand; and that it is therefore a written agreement enforceable at law, and hence a written contract. Long vs. Strauss, 107 Ind. 94.

We do not think that this complaint is based upon the written contract as appellant contends. If the complaint counted upon the written contract as such and sought to recover by virtue of it, the complaint would be clearly insufficient as against the bank, unless it contained allegations justifying a reformation and proceeded upon the theory of reforming the contract and enforcing it as reformed. Where the complaint is based upon a written instrument filed as an exhibit or set out in the complaint, the terms of such instrument will control any averment of the complaint in conflict therewith. Harrison Building, etc., Company vs. Lackey, 149 Ind. 10; Huber Manu-

facturing Company vs. Wagner, 167 Ind. 98.

The complaint alleges that plaintiff was unable to speak or read the English language, and that he was unable to read the receipt which was written in that language; that Picar knew these facts and informed plaintiff that the receipt in question was an acknowledgment from the defendant bank of its receipt of the money; and that plaintiff so understood it and so accepted it.

The complaint proceeds upon the theory that the money was deposited with the bank, and recovery is sought upon the implied agreement to return the money on demand. Upon this theory, the general averment that the money was deposited in defendant bank is sufficient to make the complaint good in respect to the deposit, unless its force is overcome by other specific allegations of the complaint.

When the writing set out in the complaint is considered in connection with the allegations in reference to the manner of its execution and the further allegations in reference to the circumstances under which it was given and the statements which were made at the time, we are clearly of the opinion that the specific allegations do not overcome the general allegation to the effect that the deposit was made in the defendant bank. The general allegations of a complaint will control unless they are shown to be untrue by specific allegations. Cleveland, etc., R. Company vs. Cyr, 43 Ind. App. 19; Indianapolis Union Railway Company vs. Waddington, 169 Ind. 448.

There was no claim in this case on the part of the appellant that the money was not deposited, and the only question for determination was whether the bank was the depository or whether it was deposited with Picar personally. The written contract purports to be an agreement between appellee and Picar, and, as between them, it is the sole repository of all prior negotiations and cannot be varied by parol evidence.

This rule is a salutary one and is supported by principles of public policy as well as by judicious decisions. Averments that the deposit was, in fact, made with the bank through Picar as its agent, and proof of such averments do not, however, contradict any written contract between appellee and the bank, for there was no written contract as between them. The rule under consideration applies only to the parties to the contract. Greenleaf on Ev. § 279; Ford vs. Williams, 21 How. 287.

In deciding a case very similar to the case at bar, the Court of Appeals of New York, speaking by Andrews, J., uses the following pertinent language: "It is insisted, however, that the certificate issued to the plaintiff at the time of the deposit conclusively establishes that the transaction was with Van Campen and upon his sole credit. The certificate is said to be a written contract, by which alone the right of the plaintiff is to be determined, and that parol proof that the deposit was made with the bank or tending to establish a liability of the bank was inadmissible, as in violation of the rule that parol evidence cannot be given to contradict a written instrument.

"The rule that, when parties have reduced a contract between them to writing, the writing alone, in the absence of fraud or mistake, is to be referred to, to define their respective rights and liabilities, and that all preliminary negotiations are to be deemed merged in, and if inconsistent therewith superseded, by the written contract, is supported as well by considerations of policy as by judicial decision.

"But assuming that the certificate signed by Van Campen when accepted by the plaintiff became a written contract between them, parol evidence that the bank received the money as a deposit did not contradict any written agreement between the bank and the plaintiff, for they had made none. The real issue on the trial was as to whether the bank or Van Campen was the depository. Unexplained, the fact

that the plaintiff accepted the certificate of Van Campen was strong, if not conclusive, evidence that the bank was not a party to the transaction; but it was evidence only, and was subject to explanation by parol proof, without violating the rule referred to."

In Barry vs. Ransom, 12 N. Y. 464, Denio, J., in speaking of the rule, says: "This is a valuable principle which we would be unwilling to draw in question; but we think it is limited to the stipulations between the parties actually contracting with each other by the written instrument." The rule does not preclude a party who has entered into a written contract with an agent from maintaining an action against the principal, upon parol proof that the contract was made in fact for the principal, where the agency was not disclosed, by the contract, and was not known to the plaintiff, when it was made, or where there was no intention to rely upon the credit of the agent to the exclusion of the principal.

Such proof does not contradict the written contract. It superadds a liability against the principal to that existing against the agent. That parol evidence may be introduced in such a case to charge the principal, while it would be inadmissible to discharge the agent, is well settled by authority. Ford vs. Williams, 21 How. 287; Higgins vs. Senior, 8 M. & W., 834; Parker, J., Short vs. Spoakman, 2 B. & Ad.; Taintor vs. Prendergast, 3 Hill (N. Y.) 72; Gates vs. Brower, 9 N. Y. 205; Coleman vs. First Nat. Bank, 53 N. Y. 388.

The Supreme Court of Kansas reached a similar result in a case where the facts were very similar and where the same principle is involved. The opinion of the court is by Brewer, J., afterwards eminent as a member of the Supreme Court of the United States, and for this reason it is entitled to great weight. Lemon vs. Fox, 21 Kan. 152.

The only other errors presented by the brief of appellant arise upon the action of the court in overruling appellant's motion for a new trial. The principal question presented under this assignment relates to the sufficiency of the evidence to sustain the finding of the court. It is claimed that the finding is wholly unsupported by evidence to show that Mike Picar at the time he accepted the deposit had any authority from the bank to receive deposits in its behalf, and that therefore the evidence wholly fails to show a deposit with the bank.

It would serve no useful purpose to set out the evidence at length in this opinion. It is sufficient to say that it shows that appellee was a Macedonian who could neither speak nor read the English language, and that he took the money constituting the deposit in question to the banking room of appellant and delivered it to Picar, whom he found sitting at a desk near a window and inside that part of the bank which is screened from the public.

The testimony of the officers of the bank show that Picar was employed by the bank as interpreter to talk with persons who spoke foreign languages, and that he had charge of the foreign exchange department of the bank, and that it was also his business to sell steamship tickets. The evidence shows that the money was delivered to Picar during banking hours, and that at the time of such delivery he informed appellee that his money was safe and that the bank was good for it.

The writing set out in the complaint was not introduced in evidence as against appellant; but it appears that at the time of receiving the money, Picar told appellee that the receipt was just as good as to have the money entered in a book and that he could get the money by presenting the receipt. It further appears from the evidence that appellee could not read the writing, and that he never knew its contents until after Picar had left town. It is very apparent from the evidence that appellee believed that he was dealing with the bank in making this deposit and not with Picar personally.

"The rule is that any agent of the

bank who receives a deposit from a customer within the bank during banking hours binds the bank, unless the dealer had notice of lack of power. The bank cannot set up a defense that it is not responsible because the deposit was not received or passed through the hands of the receiving teller. A deposit is complete when it passes from the possession of the depositor into the hands and into the possession of the agent of the bank, if at the time of the transaction it was performed within the bank and during banking hours." Magee on Banks and Banking (2d Ed.) p. 287.

It is the apparent or ostensible authority which controls in cases of this kind, rather than any special instructions which may have been received by the officers and agents of the bank. By placing Picar in the position in which he was at the time of receiving the money from appellee, the bank credited him to the public; and, if he violated his instructions and a loss ensued, it must be borne by the bank. Goshorn vs. People's Nat. Bank, 82 Ind. App. 428; East River Nat. Bank vs. Gove, 57 N. Y. 597; West vs. Bank of Elmira, 20 Hun (N. Y.) 408; Munn vs. Burch 25 Ill. 35; Ziegler vs. First Nat. Bank of Allentown, 93 Pa. 398; Heim vs. First Nat. Bank, 76 Neb. 831.

Even though it be conceded that the bank was not at fault with reference to the transaction in question, and that the appellee was also blameless, and that the loss was occasioned solely through the fault and misconduct of Picar, still the bank was responsible for Picar being placed in a situation where he was enabled to perpetrate the fraud. It is well settled that, where one of two innocent parties must suffer loss through the wrongful act of a third person, the loss must fall upon the one who placed such third party in a position by means of which he was enabled to commit the wrong which occasioned the loss. McConnell vs. Am. Nat. Bank, 103 N. E. 809; Judy vs. Warne, 102 N. E. 386; Preston vs. Whitherspoon, 109 Ind. 457; Lucas vs. Owens, 113 Ind. 521.

It is urged on behalf of appellant that appellee was negligent in failing to have the writting read and interpreted to him by some one in whom he had confidence, and that, for this reason, he is not free from fault and cannot recover. The evidence in this case shows that appellee could not read the English language, and that no member of his family was able to do so. The position of Picar in the bank was such as would inspire confidence on the part of appellee, and his statements to the effect that the money was safe and that the bank was good for it were of such a character as to mislead appellee and to relieve his mind of all anxiety as to the safety of his money. Under such a state of the evidence, it cannot be said that the failure of appellee to have the writing read and interpreted to him by some other person in whom he had confidence was such negligence as to preclude him from a recovery. * * *

We find no reversible error in the record.

Judgment affirmed.

(105 N. E. Rep. 175.)

Conflict of Laws

Missouri

What Law Governs Payment of an Instrument Payable in Another Country—Forgery

Kansas City Court of Appeals, Feb. 28, 1914

BELESTIN VS. FIRST NATIONAL BANK

ACTION by Gust Belestin against the First National Bank. From an order granting a new trial after a verdict for plaintiff, plaintiff appeals. Affirmed.

STATEMENT OF FACT

PLAINTIFF, living at Kansas City, Mo., had a brother named Macke Belestin, who lived in Tripoli, Greece, and he desired to send to his brother a draft on a London banking house for sixty pounds. He went to the defendant bank in Kansas City on the 2d of April, 1906, and procured its bill of exchange on a London bank for sixty pounds, paying to defendant $294, and on the same day he mailed it to his brother in Greece. The brother received the letter; but the draft had been taken out. On the 18th of May, 1906, the bill was presented for payment to the bank in London, with the name Macke Belestin indorsed thereon. This indorsement was a forgery; but the bank, believing it to be genuine, paid the bill in good faith. When plaintiff learned these facts, he demanded of defendant that it repay him the sum he paid for the draft, and defendant refused. Plaintiff then instituted this action, and obtained a verdict in the trial court. Afterwards defendant's motion for new trial was sustained, and plaintiff appealed from that order.

OPINION OF THE COURT

ELLISON, J.: The law in England, as evidenced by act of Parliament pleaded by defendant, defines such a draft as defendant gave plaintiff as a bill of exchange, and defines a check as a bill of exchange drawn on a banker, payable on demand. That law then provides:

Section 8: "A bill of exchange is an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money, to or to the order of a specified person or to bearer."

Section 59: "A bill is discharged by payment in due course by or on behalf of the drawee or acceptor. Payment in due course means payment made at or after the maturity of the bill to the holder thereof in good faith and without notice that his title to the bill is defective."

Section 60: "When a bill payable to order on demand is drawn on a banker and the banker on whom it is drawn pays the bill in good faith and in the ordinary course of business, it is not incumbent on the banker to show that the indorsement of the payee or any subsequent indorsement was made by or under the authority of the person whose indorsement it purports to be and the banker is deemed to have paid the bill in due course, although such indorsement has been forged or made without authority."

The law in this State does not allow the good faith of the drawee banker to discharge him, if he pays the bill on a forged indorsement.

The question involved has been stated to be: Does the law of the place of payment of a bill determine the rights of the parties, or are those rights governed by the law of the place where the bill was drawn? Or, stated in a way making it applicable to the circumstances of this case, are the rights and liabilities of this defendant, under the facts shown at the trial, governed by the law of England, where the bill was payable, or the law of Missouri, where it was drawn?

On the general proposition as to which law governs, that of the place where the bill is drawn, or that of the place where it is payable, much authority has been cited by either side. The drawer, of course, is only liable to do what he agrees to do by the act of drawing and delivering the bill to the payee, and many decisions are shown by plaintiff to the effect that his agreement was not that he would pay the bill at the foreign place of payment, but that he would pay back to the payee what he received for it from him at the place where drawn, if it was not paid by the drawee at the

place of payment. Hence he says that, as the bill was not paid at the place of payment, defendant, in compliance with the law of the place of his performance (Missouri) must pay back to him the amount he paid for the bill.

From whatever point of observation which can be had of the case, that proposition forms the basis of plaintiff's claim. Yet we believe it is fallacious, because it assumes the bill was not paid; that being the thing the defendant denies. If payment of the bill had been refused by the drawee, then, of course, defendant's obligation incurred in Missouri to pay back to the payee would have arisen. But the amount called for by the bill was paid, and was charged up to defendant's account, and defendant is out that much money, and, if he pays plaintiff, it will be a clear loss. So the real questions are: Was the payment actually made such a payment as discharged the bill? And is a payment made according to the law of the place of payment a discharge of the drawer's obligation? Now, the law of the place of performance of a contract governs as to matters of performance.

This is especially true "for the purposes of payment and the incidents of payment." Scudder vs. Union Nat. Bank, 91 U. S. 406; Hibernia Nat. Bank vs. Lacombe, 84 N. Y. 367; 2 Wharton's Conflict of Laws, §§ 451, 451d. And conceding again that the place of performance of defendant's contract was in Missouri, which contract it is stated in many authorities was only to pay back if the bill was was not paid by the drawee, where is the showing that the latter did not pay it? There is no evidence of that kind. The evidence is that the drawee paid and discharged the bill under the law of the place of performance. So it seems to us that the ground is taken from under plaintiff's position. * * *

Everett vs. Ventryes, 19 N. Y. 436; Hibernia Nat. Bank vs. Lacombe, 84 N. Y. 367; and Amsinck vs. Rogers, 189 N. Y. 252; the two first cited by defendant, and the last strongly relied on by plaintiff, treat of the question before us more inferentially than directly, for they were decisions upon questions of indorsements, protest and notice. It is in the last of these cases (189 N. Y. 257) where it is repeatedly stated that the "drawer of such a bill does not contract to pay the money in the foreign place on which it is drawn, but only guarantees its acceptance and payment in that place by the drawee, and agrees, in default of such payment, upon due notice, to reimburse the holder in principal and damages at the place where he entered into the contract." This proposition is supported by Price vs. Page, 24 Mo. 65, though it is denied in Guernsey vs. Imp. Bank of Canada, 188 Fed. 300, 304, 305, 110 C. C. A. 278, 40 L. R. A. (N. S.) 377. But, as already stated, we have assumed, for present purposes, that the proposition is correct.

So, accepting the last New York case (Amsinck vs. Rogers) as authority, we do not see where it helps plaintiff's situation. It did not present the question plaintiff presents to us; neither did any other of his cases. On the contrary, it quotes with seeming approval the following, from Scudder vs. Union Nat. Bank, cited by defendant, viz.: "The rule is often laid down that the law of the place of performance governs the contract. * * * For the purposes of payment, and the incidents of payment, this is a sound proposition. Thus the bill in question is * * * in law a sight draft. Whether a sight draft is payable immediately upon presentation, or whether days of grace are allowed, and to what extent, is differently held in different States. The law of Missouri, where this draft is payable, determines that question in the present instance. The time, manner and circumstances of presentation for acceptance or protest, the rate of interest when this is not specified in the bill (citations), are points connected with the payment of the bill, and are also instances to illustrate the meaning of the rule that the

place of performance governs the bill."

But plaintiff advances a suggestion to the effect that as far as this defendant is concerned it has no right to say the bill was paid in London, for the reason that the act of Parliament above quoted was passed for the protection of the drawee (the London bank in this case), and that it had no effect on the obligations and liabilities of the drawer (the defendant in this case). * * *

* * * It counts nothing to say the act of Parliament was for the protection of the drawee banker who, in good faith, pays a bill on a forged indorsement. To make that protection effective, the drawee must be allowed to charge the drawer's account with the amount of the payment, and, if the defendant here had paid back the money to this plaintiff which the latter paid for the bill, and then, refusing to recognize the payment by the drawee bank in London to an imposter, on a forged indorsement, had sued the latter bank, it would have easily defeated the case under the act of Parliament.

It seems plain, therefore, that, in legalizing the payment made by the drawee bank, it necessarily discharged the drawer. Otherwise he must allow to the drawee bank the sum it pays, and he must also pay back a like sum to plaintiff, in a transaction in which he was not at fault.

It must be assumed that plaintiff and defendant, one in asking for, and the other in drawing, a bill on a foreign bank, knew what would constitute a payment in that country, and that the one issued and the other took the bill with a view to the laws of the country where it was payable. Plaintiff purchased and received the bill from defendant with the knowledge that, if he allowed it to become lost (carelessly or otherwise), and he should thereby enable someone to impose upon the drawee by a forged indorsement, the loss was his, and not defendant's.

This is not such a case as those presented by the authorities cited by plaintiff. In those cases payment was refused by the foreign drawee, because the drawer had no funds, or, if he had funds, for some other reason, but not because the bill had already been paid—it was for some other reason which brought into question whether the indorsement, protest, notice, etc., were governed by the law of the place of contract, or performance.

Our conclusion is that plaintiff has no cause of action, and hence the trial court did right in granting a new trial. The judgment is affirmed. All concur.

(164 S. W. 160.)

Negotiability of Note

Massachusetts

Effect of Words "Value Received as Per Contract" on Promissory Note —Sum Certain

Supreme Judicial Court of Massachusetts, Suffolk, May 22, 1914

NATIONAL BANK OF NEWBURY VS. WENTWORTH

A note containing the clause "value received as per contract" is negotiable, the clause not being part of the instrument.

ACTIONS by the National Bank of Newbury against Charles S. Wentworth. On report. Judgments for plaintiff.

STATEMENT OF FACT AND OPINION

BRALEY, J.: We assume, as the counsel for the respective parties have assumed at the argument and in their briefs, that the promissory notes in suit were delivered to the payee in this commonwealth, and are governed by our Negotiable Instruments Act found in R. L. c. 73. (Nashua Savings Bank vs. Sayles, 184 Mass. 520, 522, 100 Am. St. Rep. 578;

American Malting Company vs. Souther Brewing Company, 194 Mass. 89.) The plaintiff bank is the indorsee, and the presiding judge was warranted upon the evidence in finding that it is a holder in due course unless the words written by the defendant on the face of each note, "value received as per contract," makes his promise as maker conditional upon the performance by the payee of the preceding contract between them appearing in the record, for the sale and shipment of lumber. The defendant urges that, the words having been placed upon the notes before delivery, the original parties must have intended to incorporate this contract, and negotiability is lacking because a sum certain is not payable at a time fixed in the future. (Costello vs. Crowell, 127 Mass. 298, 34 Am. Rep. 367; R. L. c. 73, § 18, cl. 3.) If the words had been, "subject to the contract for lumber," or even "subject to the contract," the principle invoked would have been applicable. The notes would not have been the defendant's unconditional promise to pay a definite sum. (Hubbard vs. Mosely, 11 Gray, 170; American Exchange Bank vs. Blanchard, 7 Allen, 333; Sloan vs. McCarty, 134 Mass. 245.)

But while the defendant doubtless intended to guard against the payment of money for which in the future he did not receive an equivalent, and the payee has gone into bankruptcy the language used does not affect the payment of the amounts shown by the notes. By their position, the words well might lead the plaintiff who is not charged with actual notice to understand that they were not to be disconnected and applied to an independent outstanding agreement by which the promise was to be modified or restricted, but they referred solely to the consideration for which the notes were given. (R. L. c. 73, § 69.)

We are unable consequently to distinguish the case at bar from Taylor vs. Curry, 109 Mass. 36. 12 Am. Rep. 661, where the phrase relied on to destroy negotiability was "for value received on policy No. 33,386." It was said by Mr. Justice Chapman in delivering the opinion of the court:

> The words * * * do not express any contingency as to the payment of the notes, or refer to any fund out of which they are to be paid, but appear to refer to the consideration for which they are given. Such a reference may be for mere convenience, or for any other reason, but it cannot be interpreted as a modification of the promise.

By the terms of the report judgment is to be entered for the plaintiff for the amount of each note with interest from maturity, and costs.

So ordered.

105 N. E. Rep. 626.

Note Obtained by Fraud

MINNESOTA

Signature Induced by Fraud—Evidence —Negligence

Supreme Court of Minnesota, June 12, 1914.

JOHNSON COUNTY SAVINGS BANK VS. WEIBY.

Evidence considered and held sufficient to warrant a finding that a note was obtained by fraud and trickery, the terms or the nature of the instrument not being known to the maker.

ACTION by the Johnson County Savings Bank against C. H. Weiby. Verdict for defendant. From denial of motion in the alternative for judgment or for a new trial, plaintiff appeals. Affirmed.

STATEMENT OF FACT

THIS is an action to recover on a promissory note made by defendant to the Equitable Manufacturing Company and indorsed and delivered before maturity to plaintiff. The defense was that the note was procured by fraudulent representations, trick

and artifice on the part of the agent of the manufacturing company. The case was tried to a jury, and a verdict for defendant rendered. Plaintiff appeals from an order denying its motion in the alternative for judgment or for a new trial.

On the trial plaintiff put in evidence the note and a contract for the purchase of jewelry, both signed by defendant, and rested. Defendant testified in his own behalf and rested. There was no evidence in rebuttal. The substance of defendant's testimony was as follows: He had been a blacksmith in Dalton for 20 years, and in 1910 opened a store in Clarissa. On the evening of April 22, 1910, a stranger called at his store and told of the golden opportunity to help his business by displaying and selling a stock of jewelry. The terms orally given by the stranger, who was the agent of the Equitable Manufacturing Company, an Iowa and Chicago cheap jewelry concern, were that the jewelry should be delivered to defendant, who would sell it, and remit the proceeds to the Equitable Company, who would, at the end of the year, take back anything that was unsalable. The agent presented a written contract or order to defendant, who signed it. Defendant was a foreigner, and unable to understand the terms of the contract. He testified that he signed but one paper, and did not sign a note. As a matter of fact the note was at the bottom of the contract and on the same sheet, separated by a narrow space containing a perforated line. Defendant actually signed his name twice on this sheet, first at the end of the contract, and again at the bottom, under the note.

OPINION OF THE COURT

BUNN, J.: The defense is based upon R. L. 1905, § 2747, which has been frequently construed and applied in our decisions. Under this statute, defendant was not liable if his signature was obtained by fraudulent representation, trick, or artifice, as to the nature or terms of the instrument, and if he did not believe it to be a promissory note, and if he was not guilty of negligence in signing the paper without knowledge of its terms. The evidence of fraudulent representations, trick, and artifice was sufficient, as was the evidence of defendant that he did not believe it was a note. The chief contention of plaintiff is that it conclusively appeared that defendant was guilty of negligence in signing the paper without knowledge of its terms. We have held that the provision of section 2747 that makes the question of negligence in these cases one for the jury in all cases does not dispense with the rule that there must be reasonable evidence to sustain a verdict, and does not prevent the direction of a verdict where the evidence of negligence is conclusive. (O'Gara, King & Company vs. Hansing, 88 Minn. 401; Johnson County Savings Bank vs. Hall, 102 Minn. 414; Cedar Rapids National Bank vs. Mottle, 115 Minn. 414.) In each of these cases the evidence of negligence was held conclusive.

But the case at bar differs in important particulars from those cited. The feature in the present case that to our minds relieves defendant from being charged with negligence as a matter of law is the appearance of the paper that he signed. The note was not a separate paper, and was neither in form or appearance like the ordinary note. It is entirely possible that by a clever trick in folding the paper the note part of it would be entirely concealed. This may account for defendant's belief that he did not sign the note. (See Yellow Medicine County Bank vs. Wiger, 59 Minn. 384.) Considering the peculiar nature of the paper presented to defendant for his signature and his partial inability to read and understand printed English, we think it ought not to be said as a matter of law that he was guilty of negligence in signing the instrument without knowing it was a note. There was no conflict in the evidence, and,

considering it all, we reach the conclusion that the questions were for the jury, and that the verdict in defendant's favor is supported by the evidence. (Sibley County Bank vs. Schaus, 104 Minn. 438; Farris vs. Koplau, 113 Minn. 397.)

We have not overlooked the fact that defendant made a payment on account of the jewelry, or the letter that he wrote to plaintiff's attorneys. We see nothing here that is inconsistent with his claim of fraud. The letter shows that defendant, though he had sold his business, held the jewelry for the manufacturing company.

Order affirmed.

(147 N. W. Rep. 823.)

Assignment of Accounts Receivable

U. S. Court

Discounting Accounts—Ultra Vires—Usury—Commercial Banking—Sale of Accounts

U. S. District Court, N. D., Illinois, June 26, 1914

CHASE & BAKER CO. VS. NATIONAL TRUST AND CREDIT CO.

Defendant, in consideration of $1, agreed to buy from the complainant all acceptable accounts, deducting a stipulated discount, the complainant to act as defendant's agent without cost to collect the same and to hold in trust and pay over to defendant, complainant guaranteeing payment to defendant or assigns, of all accounts purchased, and within five days after notice to repurchase at face value all accounts in default, etc. *Held*, that the transaction was a sale and assignment and not an agreement to loan money.

SUIT by the Chase & Baker Company against the National Trust and Credit Company. On motion to dismiss bill. Leave granted to complainant to amend, in default of which the motion granted.

OPINION OF THE COURT

MACK, C. J.: In this case, one who appears on the face of the papers to be a vendor and guarantor of open mercantile accounts and commercial paper at a discount greater than the legal interest rate is seeking to rescind the transactions and to recover back the accounts or the proceeds thereof on repayment of the purchase price with legal interest, on the ground that the transactions were ultra vires.

The basis for the charge of ultra vires is that such sales, viewed from the standpoint of the purchaser, are discounts; that discounting is a banking function; that defendant, although empowered to purchase accounts, could not lawfully engage in the business of purchasing accounts because that is a banking business and corporations cannot be organized, under the general incorporation act of Illinois, to do a banking business.

There are several answers to these contentions.

Discounting accounts and commercial paper, while the proper function of a bank or banker, is not exclusively a banking operation. The banking business in which an ordinary Illinois corporation cannot engage involves the receipt of deposits from customers and the use of money so obtained for banking purposes. An individual or a corporation, using its own funds or moneys borrowed in the ordinary course of business for the purchase of commercial paper for investment or other purpose, does not thereby engage in the banking business. Lending money is one of the most important banking functions. The Illinois act, however, clearly does not regard the prohibition of doing a banking business as sufficient to prevent the organization of corporations to engage in the business of lending their own capital. In express terms it forbids the creation of corporations under the general act for either purpose.

215 Fed. Rep. 633.

Stop Payment

MASSACHUSETTS

Effect of Stop Payment on Holder of Check—Clearing-House Rules

Supreme Judicial Court of Massachusetts, May 19, 1914

USHER VS. A. S. TUCKER CO.

Payment on a check may be stopped by the drawer, but his liability is not discharged thereby. As between drawer and bank, the bank pays at its risk. The relations between payee and drawer are the same as if check had been dishonored.

ACTION by Samuel Usher, 2d, against the A. S. Tucker Company. Verdict ordered for defendant, and plaintiff brings exceptions. Sustained.

The action was in two counts, one against the drawer of a check by a holder, and the other for money had and received.

STATEMENT OF FACT AND OPINION

HAMMOND, J.: The first count of the declaration is upon a check signed by the defendant, payable to the order of one Hobbs and by him indorsed, and now held and owned by the plaintiff.

At the trial the plaintiff introduced the check in evidence, and offered to show the following facts: The check was given on a good consideration and was indorsed by the payee who was a holder in due course for value. As thus indorsed it came through the clearing-house to the Mutual National Bank, upon which it was drawn, and in which the defendant had on deposit sufficient funds to meet it. Before it reached the bank the defendant gave notice to the bank not to pay it when presented. By some error or oversight this "stop-payment" order was ignored and the amount of the check was charged temporarily to the defendant's account. Later the error was discovered and the amount of the check was credited back. The defendant subsequently withdrew its funds from the bank, including the amount of the check. The defendant never has paid the check, and the bank refused payment of it, of which the defendant had due notice. The plaintiff is the paying teller of the bank, and the "charging up" to the defendant's account was his error, for which he is responsible to the bank. Under the rules of the clearing-house, unless the check was returned by one o'clock of the day on which it came into the bank neither the plaintiff nor the bank had any right to return the check to the bank from which it came. The check was not returned within the time.

The result was that at the close of the day a sum amounting to the amount of the check had been transferred from the bank upon which the check was drawn to the payee of the check, that the bank held the check, that the plaintiff was responsible to the bank for the amount thereof, and that no money had been paid by the defendant.

Subsequently the plaintiff took an assignment of all the right, title or interest the bank had in and to the check "or the funds evidenced thereby or the amount paid thereon."

The drawer of a check impliedly undertakes that when the check is duly presented the bank upon which the check is drawn will pay it out of the drawer's funds in its hands. And under ordinary circumstances the drawer is not held until the check has been presented to the bank and payment refused and notice of the dishonor has been given to the drawer. But this rule is not applicable where by reason of the action of the drawer such a presentation is useless, as in cases where there are no funds of the drawer in the bank with which to pay the check. (Beauregard vs. Knowlton, 156 Mass. 395, 31 N. E. 389, and cases therein cited. And a fortiori where

the bank is forbidden by the drawer to pay. Jacks vs. Darrow, 3 E. D. Smith [N. Y.] 557; Purchase vs. Mattison, 6 Duer [N. Y.] 587.)

It is true that the drawer may stop the payment of the check, and as between him and the bank the latter in such case pays at its peril, but such an order cannot discharge the liability of the drawer to the payee or one holding under him. Where the payment has been stopped, as above stated, the relations between the drawer, and the payee become the same as if the check had been dishonored and notice thereof given to the drawer. And hence the effect so far as respects the drawer is to change his conditional liability to one free from the condition, and his situation is like that of the maker of a promissory note.

The check never has been paid either by the defendant or by any one rightfully acting for it. Under the circumstances disclosed in the offer we think that as between the plaintiff and the defendant the transactions by which the check came into the former's possession cannot be regarded as a payment of it so as to extinguish the liability of the defendant, but as a transfer of the check for a valuable consideration from the then holder to the plaintiff, the one ultimately liable for the error, conveying to him whatever right such holder at that time had.

Exceptions sustained.

(105 N. E. Rep. 360.)

Power of Corporation Officer to Issue Commercial Paper

MICHIGAN

Authority of Secretary of Corporation to Issue Paper

Supreme Court of Michigan, July 24, 1914.

NORTHVILLE STATE BANK VS. DETROIT SILVER REFINING CO.

Power of corporation officer to indorse checks, drafts, etc., payable to the company, to receive and receipt for cash, negotiable paper, etc., does not confer power to issue note for borrowed money by the corporation.

ACTION by the Northville State Bank against the Detroit Silver Refining Company. Judgment for defendant, and plaintiff brings error. Affirmed.

STATEMENT OF FACT AND OPINION

BROOKE, J.: Plaintiff brought suit against defendant upon a promissory note. The note was for $2,000, dated December 14, 1909, due three months after date. It was signed: "Detroit Silver Refining Company, by E. G. Rognon, Secretary." It was indorsed by seven gentlemen interested as officers or stockholders in the defendant company. Certain payments were thereafter made upon the note, so that at the time of the hearing in the court below, the amount due, with interest, was $1,391.23.

The defendant under a plea of the general issue gave notice that it would show that the note in question was not the note of the defendant, and that no consideration had ever passed from the plaintiff to the defendant on account of said note. In support of its plea defendant filed the affidavit of its president, George Flanders, denying the execution of the instrument sued upon. It appears that when the note fell due on March 14, 1910, it was not paid or renewed, but that two of the indorsers gave to the bank a new note as security for the payment of the paper sued upon.

The defendant company is a foreign corporation. Its principal asset at the time it was organized seems to have been a secret process for the removal of silver from silver-bearing ore. Its earlier activities seem to have taken place in the city of Detroit and vicinity, where most of its stockholders and directors were located. It

seems that in the fall of 1909 certain residents of the city of Flint became interested in the proposition, and ultimately took over the control of the company.

On November 25th a meeting of the board of directors was held in the city of Detroit, at which the following resignations were accepted: Vern E. Matteson, director; Percy M. Scott, director; E. F. Matteson, treasurer; John B. Eldert, president. At the same meeting George Flanders was elected president and director, and W. E. Martin director and treasurer. So far as the records of the defendant corporation show, there was no further meeting until December 23, 1909, when a meeting was held in the city of Flint. At that meeting the resignation of E. G. Rognon as secretary was accepted. Mr. Thomas B. Stevenson was elected secretary pro tem, and George E. Eckert was elected director to fill vacancy. The minutes recite further that, as Mr. Flanders had no stock in the company on November 25, 1909, when he was elected president, his election was irregular, and John B. Eldert was elected president to fill vacancy if any existed.

Prior to all these happenings, and on September 11, 1909, the duties of the secretary had been defined in the following resolution:

> Be it resolved that the secretary of this corporation, E. G. Rognon, is hereby authorized to indorse all checks, drafts, bills of exchange, certificates of deposit, etc., made payable to this company, to receive and receipt for the same and to receive and receipt for the cash or negotiable bills of exchange for the same, also to receive and receipt for the cash or checks payable to the company from the sales of treasury stock or from any other sources of revenue.

It is clear from the foregoing that Rognon, as secretary, had no authority from the corporation to execute commercial paper in its name. It was the claim of the plaintiff, however, that such authority was given him by a meeting of the board of directors held either shortly before or after the meeting of November 25, 1909.

No record was produced of such action by the board, although John B. Eldert, one time president of the defendant company, gave testimony tending to show that the board of directors had authorized Rognon to execute the note in question. This note seems to have been negotiated with the plaintiff bank by one George E. Eckert. Eckert, though later made a director of that company, at that time seems to have been its legal advisor. He was a stockholder in the company, and was assisted in negotiating the note by G. D. Spencer. Both of them indorsed the note.

It is undisputed that the money raised upon the note was placed in the hands of Eckert, and never reached the treasury of the company. Eckert used some portion of the money in the purchase of silver ore, which was turned over to the company, but this ore was paid for by the company to the amount of $800, and that money was by Eckert paid to the plaintiff and indorsed upon the note. As bearing upon the question of the authority of Rognon to execute the note in question binding the defendant company, at the conclusion of the case plaintiff offered the following paper:

> Whereas, this company is desirous of purchasing about three thousand dollars worth of silver ore for treatment in its silver refining plant, and it is not desired to sell stock to raise money for such purpose.
>
> Be it resolved that the secretary, E. G. Rognon, is authorized to borrow for ninety days on the credit of the company, and execute a company note for the above amount, or any part thereof, and pledge security the stock of this company, at the rate of ten cents per share, that George E. Eckert as trustee is authorized to deliver said stock, as collateral to the note, and to receive payment of such borrowed money.
>
> [Signed] John B. Eldert, President.
>
> E. G. Rognon, Secretary.

—stating that counsel had learned of its existence only that morning. The court below declined to receive the paper in question. It will be noted that this paper is undated, and, as before stated, there is no official record of any meeting at which such a resolution was passed by the board of di-

rectors of the defendant company. Moreover, it purports to be signed by John B. Eldert, president. If it was signed by Mr. Eldert at or near the time of the making of the note (December 14, 1909), it is clear that he was not, in fact, president, because his resignation had been tendered and accepted on November 29th.

The learned circuit judge directed a verdict for the defendant upon the ground that all the indorsers upon the note were joint makers with the defendant, and that the plaintiff could not maintain its action against one only of those liable. It is unnecessary, in our opinion, to determine whether this ground for direction is sound. We are of opinion that, under all the evidence in the case, there is no sufficient showing of the authority of Rognon to execute a piece of commercial paper which would bind the defendant company. (Gould vs. W. J. Gould & Company, 134 Mich. 515, 96 N. W. 576, 104 Am. St. Rep. 624, 2 Ann. Cas. 519.)

The verdict was properly directed for the defendant company, and the judgment is affirmed.

(148 N. W. Rep. 175.)

Check Lost in Mail

Georgia

Right of Bank to Charge Back an Item Credited as Cash and Subsequently Lost in the Mail

Supreme Court of Georgia, July 24, 1914

SPOONER VS. BANK OF DONALDSONVILLE

(Syllabus by the Court)

In this suit, brought to recover of the defendant bank a stated sum, it is alleged, in substance, that the plaintiff was a depositor in the defendant bank, and carried a deposit account therein to his credit, subject to his check. On a certain day he deposited to his credit in the bank a check drawn on a bank at another place by a named person, payable to the order of the plaintiff and by him indorsed in blank, which check so deposited, the defendant received and placed as a credit on plaintiff's deposit account in the bank and gave him a deposit slip stating that his deposit account had been credited with the amount of the check on that date, and afterwards the plaintiff drew checks in the usual course of his business against said deposit, which were paid by the defendant. Subsequently he placed other moneys and checks to the credit of his account, as had been his custom before and after said date. It is alleged, further, that the plaintiff, under his dealings as a depositor with the defendant, had the right to draw immediately against his account credited with the deposit of the check stated, but that about a month subsequently to the deposit of the check the defendant charged his deposit account with the amount of the check, taking this sum from him without his knowledge or consent, and, after charging his account with this sum, refused, after demand, to return it to him or to his account, and notified him that the check had been lost in the mail, and for this reason it could not be returned to him.

Held, that the court below erred in sustaining a general demurrer to the petition and in dismissing the case. Under the allegations of the petition, the transaction between the depositor and the bank constituted a sale of the paper to the bank, and vested the title to the same in the bank, and the cash became the property of the depositor, and the bank did not have the right to charge back the amount of the check against the account of the depositor.

(a) Any right which the bank may have against the plaintiff by reason of his indorsement is not now involved.

The facts in this case and the decision are given in the syllabus.

(82 S. E. Rep. 625.)

Check Held in Escrow

Missouri

Rights and Liabilities of Depositories —Stop Payment Contracts

Kansas City Court of Appeals, Missouri, July 6, 1914

GUNBY VS. HAYDEN

Defendant issued check to plaintiff for the latter to use in paying debt of defend-

ant, owed to plaintiff or another, when a certain contract had been performed. *Held,* the right of plaintiff to use the check did not arise until the contract was performed, and an attempt to use the check prior thereto did not create any right of action against defendant for stopping payment.

ACTION by William J. Gunby against U. G. Hayden. From a judgment for defendant, plaintiff appeals. Affirmed.

STATEMENT OF FACT

ON June 8, 1911, the defendant, Hayden, entered into a written contract with one Levi T. Lee. Hayden, as first party, agreed to convey to Lee certain land in Hodgeman county, Kan., subject to a mortgage not to exceed $14,000, to be negotiated by Hayden. Lee on his part agreed to convey to Hayden certain land in Morgan county, Colo., subject to a mortgage of $15,000, to be given by Hayden to Lee. And Lee, in addition to conveying his land, was to pay Hayden $1,500, of which $500 was paid by Lee to Hayden in cash at the time the contract was signed, receipt whereof was acknowledged, and the remainder, $1,000, was to be paid when the contract was fully completed and deeds exchanged.

The two men met in Chillicothe to close the trade, but it was there found that Hayden had been unable to have the mortgage on his land extended as he had agreed to do. Thereupon, on the 20th day of June, 1911, they entered into a new written contract in lieu of the old one, whereby Hayden, as first party, agreed to convey his land in Hogdeman county, Kan., to Lee subject to a mortgage of $10,000, to be negotiated by Hayden. And Lee on his part agreed to convey the same amount of land as before, but not quite the same land, in Morgan county, Colo., subject to a mortgage of $11,000, to be given by Hayden to Lee on a part of said land. In addition to this, Lee agreed to pay Hayden $1,500, of which amount $500 was acknowledged as having been received and $1,000 was to be paid "when this contract has been fully completed and deeds exchanged."

The $500 mentioned in this contract was the same $500 referred to in the old one as having been paid by Lee to Hayden. The parties were therefore *in the same situation as before,* except that a slightly different contract was in force. But otherwise their relative situations were the same. Hayden had $500 of Lee's money which Lee had paid on the trade, and certain things were to be done by each and deeds were to be exchanged in the future.

It was here that the checks were put up with plaintiff. Just why it was done or what plaintiff was to do with them does not clearly appear. However, Hayden executed his check to plaintiff for $500, and put it up with him, and Lee executed his check for $1,000 to plaintiff and put it up. The receipt plaintiff gave defendant for his check says he received the "check for $500.00 to be held with check of $1,000.00 of L. T. Lee, *to be used only when contract and deeds are passed and on order of L. T. Lee."*

OPINION OF THE COURT

TRIMBLE, J.: The evidence, as well as the pleadings, show that plaintiff was merely to hold these checks in escrow, so to speak. If now the trade went through, the money represented by the checks would all belong to defendant, and plaintiff would be required to apply it where defendant directed or turn it over to him. If, however, the trade fell through, presumably plaintiff would cash defendant's check and turn the money over to Lee, thus giving Lee back his money that he had paid to defendant on the

8th of June, 1911, when the first contract was made, and would also give Lee back his $1,000 check. However, even if the trade was not consummated, yet, so long as Lee was insisting on specifically enforcing it, he would not be entitled to get his money back, but would be in the position of having paid $500 and offering to pay the balance, $1,000. But if the trade fell through, and Lee was not seeking to specifically enforce, but was demanding his $500 back, plaintiff could either turn over to Lee the defendant's $500 check or cash it and turn him over the money.

With matters in this shape, let us see what the parties did, as soon as the checks were put up. After doing this, the parties, Hayden and Lee, went to Illinois in an effort to close the land trade. While they were there they did not succeed in doing so, but, notwithstanding this fact, Hayden wrote plaintiff that he had delivered Lee a deed to the land from him and to send on the deeds coming to him as soon as Lee got there and explained things. It seemed that Hayden owed plaintiff some money, or else owed a bank in Chillicothe a debt which plaintiff was interested in getting paid. On the same date (June 23, 1911) that Hayden wrote plaintiff that the trade had gone through plaintiff telegraphed Hayden that:

> Bank demands money today; refuses to wait longer. Shall I pay the fifteen hundred? Answer.

To which defendant telegraphed in reply:

> Yes. Pay fifteen hundred.

Apparently the letter, or postal card, saying the trade had gone through had not reached plaintiff at this time, as it had not had time, as all three communications were on the same day. But plaintiff treated the answer to his telegram as a statement that the trade had gone through, and evidently offered the card in evidence in confirmation of that theory. Thinking the trade had gone through, but having no word from Lee that it had done so, plaintiff deposited both checks in the bank for collection. The inference is that he applied the checks to the payment of the $1,500 debt owed by defendant and referred to in the defendant's telegram. But Lee discovered that this had been done and, knowing the trade had not gone through, he stopped payment on his $1,000 check, and thereupon defendant stopped payment on his check for $500. After Lee's $1,000 check was protested, it was turned over to Lee by the bank at plaintiff's direction. This was done about June 24, 1911, and from about that time until January 16, 1912, plaintiff held defendant's check for $500, but had given up Lee's $1,000 check. On this last-named date, however, Lee seems to have voluntarily given plaintiff a new check for $1,000 indorsed on the back of which is the following:

> The within check is in lieu of a certain check of like amount left in escrow with W. J. Gunby June 20, 1911.

This, however, was done after the institution by Lee of his suit for specific performance of the contract to exchange land, which suit is yet pending in the district court where the Hayden land lies.

The situation then is this: Plaintiff held two checks in escrow to be turned over to defendant if the trade went through, and presumably the $500 check was to be turned over to Lee if it ultimately failed. Plaintiff after attempting to cash both checks, but failing because payment was stopped on each, allows Lee to withdraw his, but keeps defendant's and now sues on it, although his duty in the premises was merely to hold both checks until the trade is finally consummated, and that is yet undetermined, since Lee is insisting that it be specifically performed. Plaintiff got no money and lost none. There is no right of recovery shown to be in him, and the judgment was right.

It is affirmed. All concur.

(168 S. W. Rep. 899.)

Replies to Law and Banking Questions

Questions in Banking Law—submitted by subscribers—which may be of sufficient general interest to warrant publication will be answered in this department.

PROTEST — INDORSEMENTS; DAMAGES

PENNSYLVANIA, Nov. 10, 1914.

Editor Bankers Magazine:

SIR: We would be glad to have you advise us at your early convenience in regard to the following proposition:

Two banks are located in a town in Pennsylvania, one a private bank, the other a national bank. The private bank sent its checks by its supposed attorney, who is a notary public, for collection to the national bank. Has the national bank a right to demand the endorsement of the private bank before paying these checks where there is no restrictive endorsement? Would the endorsement of the attorney as an individual hold the bank? All drafts are drawn to the order of the private bank. Is the national bank taking any chances by accepting these checks without the endorsement of the private bank?

Second, can the national bank demand the endorsement of the private bank on checks taken over the counter endorsed by the payee? Does this make the checks payable to bearer? Would the notary have a right to protest these checks if payment was refused for lack of the endorsement of the private bank or its attorney?

Third, the notary protested a check on the national bank that was returned for a faulty endorsement. Has he a right to do so, and if not what is the penalty?

Thanking you for the information, I am, etc. CASHIER.

Answer: Where an instrument is payable to "order," the indorsement of the payee or indorsee is necessary in order to transfer the legal title of the instrument. And title to the instrument referred to being in the private bank, the national bank can demand the indorsement of the private bank, both to get the legal title into itself and also to fix the liability of the private bank.

Even though the checks are indorsed in blank, this is a complete and perfect transfer of the legal title, with all the rights of the indorser; and while such an instrument would become a bearer instrument thereafter, yet the indorsement of the holder should be required in order to pass title and also to fix the liability of the one negotiating the instrument.

A bank attorney is not generally an official of the bank in routine matters, and is not clothed with executory powers, except as they are delegated to him by authority of the board of directors. Unless he was acting under express power of attorney to endorse, his act would not bind the bank, nor would it give good title to the indorsee, for the simple reason that he had no title to transfer.

The national bank would be "taking chances," for it would be accepting instruments with defective title, and doubtless passing them on with a binding indorsement. If the private bank were to repudiate the indorsement of its attorney, serious complications might arise. The indorsee of an instrument should first of all be sure that his indorser, if an agent, has the power to make a binding indorsement, or he cannot hold the principal to the contract of indorsement.

The second question is ambiguous. The channel through which a check comes is immaterial; it is the negotiation that governs. An instrument becomes payable to bearer (1) by being so payable; (2) by indorsement in blank.

The question indicates a peculiar state of facts. It would seem that the private bank presents checks for payment; refuses to indorse the same, and protests for non-payment, when it is itself to blame for the non-payment, by refusing to pass its title and assume its liability as an indorser. If the checks are drawn on the national bank, payable to bearer, then a different situation arises.

It is not necessary to protest an inland bill of exchange (the check mentioned in the third question) in order to hold the indorsers, and such protest would be unnecessary; and if by reason of a protest that was not justified,

the credit of the drawer was injured, liability would ensue, the measure of damages depending upon the facts in the case. The drawee has a right to demand a proper indorsement as a condition of payment, and could not be held liable for refusing to pay on an irregular instrument. One who takes such an opportunity to protest (perhaps for the fee and not for the protection) has caused injury to the drawer and would be liable for damages caused thereby. We have only given general principles of law that the question suggests. If the exact facts are furnished, the form of endorsement referred to, and other details, authorities will be cited to sustain the position taken.

CHECK PAYABLE TO SELF

Los Angeles, Cal., Nov. 9, 1914.

Editor Bankers Magazine:

Sir: Please advise the writer as to whether a check made payable to "self" and presented at the window by the drawer need be endorsed. A few bankers and a great many depositors hold that when a man presents his own check at the window filled in "Pay to the order of self" it is not necessary to endorse the check.

Thanking you for this favor I am, etc.

Assistant Cashier.

Answer: It is difficult to see by what process of legal reasoning an indorsement on such a check is necessary. The order of the maker in such a case is equivalent to saying to the bank: "Out of funds in your possession due me, pay me a certain amount, and this shall be your warrant." The bank does not need any other authority.

If the instrument were presented by a third party. indorsement would be necessary, for a check drawn to "self" or "myself" is not a bearer instrument, the term referring to the drawer. It is equivalent to making the check payable to the drawer's name and indorsement is therefore necessary. A check drawn by John Smith payable to "self" is equivalent to making it payable to "John Smith" and not to bearer, and John Smith must endorse.

A check payable to bearer "cash," "wages," "pay roll," etc., does not need endorsement to negotiate. (Neg. Inst. Law. Sec. 28 [N. Y.]; Prindle vs. Caruthers, 15 N. Y. 425.) A check drawn to order of "self" is payable only to the maker in person, and would not be good in the hands of a third party without the maker's indorsement.

The purpose of indorsement is (1) to get the legal title out of the holder into the indorsee; and (2) to fix the liability of the indorser. The bank in this case certainly does not need title for any purpose, any more than it needs title to a receipt. The liability of the maker needs no fixing, for he assumes none; the bank having means at hand to ascertain the authenticity and goodness of the check.

Nor does the maker warrant anything regarding the check such as its genuineness, his title, capacity of prior parties, fraud, payment, etc. And it is difficult to see any reason in law for an indorsement.

As a matter of good banking, indorsement should be obtained if possible; but our opinion is that it cannot be required.

Invested Funds of the American Bankers Association

As shown in the annual report of Treasurer J. W. Hoopes, the American Bankers Association has $122,000 invested as follows:

$12,000 Chicago, Burlington & Quincy Joint 4's of 1921.

$30,000 Atchison, Topeka & Santa Fe 4% Bonds of 1995.

$50,000 Chicago, Burlington & Quincy, Illinois Division, 4% Bonds of 1949.

$30,000 New York City Registered Corporation Stock 3½%, due 1940.

The Theory and Practice of Credit

(Third Paper)

By W. H. KNIFFIN, Jr.

PERSONAL CREDIT

BY the term personal credit is meant credit based upon persons as distinguished from credit based upon property. Many who apply for credit, and are perfectly good risks, have nothing but themselves to offer as security, their property being of little or no consequence as collateral. To the essential element of honesty, there must, however, be added the security of an assured earning power, for "good intentions never pays bills."

It is an obvious truth that if a man would pay, he must have the wherewithal. His honesty may be above criticism, his record unblemished, and yet if he has no income, his credit cannot be safe. And his credit is safe only in proportion to his income. This is the reason so many professional men are poor credit risks. Their income, while in a measure sure, is small, and frequently, as in the case of some ministers and lawyers, spasmodic. All those who appear before the public must maintain an appearance of neatness, if not prosperity. It is their misfortune and not their fault. They use their credit to bolster up appearances and the creditor suffers. A man earning fifty dollars a month is most assuredly not a good risk for a hundred dollar debt due in thirty days. He might be a good risk for a hundred dollars' worth of furniture on three dollars or less a week; but his earning power absolutely negatives the idea of his being able to meet a large bill in a short period and no sane man would take the risk. Installment houses gauge the amount of goods they will sell a man largely by his income.

As a rule the applicant for personal credit desires only small accommodation, but generally (as in installment buying) for so long a time that ample capital or good borrowing facilities are needed on the part of the creditor to carry the debt, which in the aggregate is considerable in a large establishment. And the amounts involved being small, in case of default, legal process is too expensive, and moral suasion is necessary in order to collect without undue cost. We can better distinguish personal credit than attempt to define it.

Individual credit consists of two varieties, secured and unsecured. Under the first head come all sorts of goods sold on the partial payment plan, such as real estate, pianos, sewing machines, household goods of every description, phonographs, books, jewelry and clothing. Sales to merchants are delivery trucks, scales, typewriters, cash registers, etc. The security lies in the vendor's lien, as evidenced by a conditional bill of sale or chattel mortgage. In the former case, title to the property does not vest in the buyer until the last payment is made and recovery of the goods is a simple matter; but in the chattel mortgage, title passes upon consummation of the sale and the mortgage lien follows. To collect by lawful recourse means foreclosure—a slow and costly process. The security is in the goods more than in the person, as important as the latter element may be.

Enormous quantities of goods are sold on this plan, many flourishing businesses being built up by the long term of credit extended and the easy terms allowed.* The risk lies in the fact that the goods may be used or misused for a time and returned, or carried away secretly so that following

* One installment house in New York does a yearly business of over $2,000,000 in one branch, and has 20,000 open accounts.

them is expensive; but the increased sales and large profits offset such losses. Moreover, the prices are much higher than for cash, it being not uncommon for installment houses selling furniture to mark the goods at from two to three hundred per cent. profit. Good houses, however, endeavor to obtain as large an initial deposit as possible, so that the buyer's equity will be large and default, therefore, expensive to him. Completion of the contract is more desirable to both seller and buyer than default.

Secondly, the unsecured credit, which is based solely upon the borrower's promise and the seller's expectancy that he will pay. To illustrate: Many school teachers, policemen, firemen, municipal employees, clerks, clergymen, and others, maintain charge accounts at the retail stores. The reason for this will be noted below. They have no real property, as a rule, and frequently but little personal. And yet they are generally regarded as good credit risks, on the strength of their "job." The only security, aside from their honesty and good character, and the garnishee process where such is possible, lies in the fact that the applicant has steady employment. But many who are on the charge ledgers of the great stores do not even bring the qualification of an assured income, being salesmen, clerks, and others whose earnings are largely dependent upon commissions and the state of trade.

THE GRANTING OF PERSONAL CREDIT

IN the granting of personal credit two things are necessary to determine: First, that the applicant is honest and well regarded by those in position to know; and, secondly, has the funds, in expectancy, at least, to meet the debt as it falls due. He has "discounted the future"—will the future bear discounting? These are the questions to determine.

The starting point lies in the application. This preferably is an envelope of good quality, so that the information may be filed therein, with the original data written on the outside. Too much information cannot be obtained. You can never know too much about the applicant. The problem is to get it diplomatically, and correctly and without offense to the delicacy that attends the asking for credit, particularly personal credit.

The application includes: First, the full name of both husband and wife. Most of the credits in retailing are opened by the wife who does the shopping, and generally in her own name. (It is estimated that fully eighty per cent. of personal credits is with women.) But the husband being the bread-winner is the important element to consider. Next, the residence and how long there. Long tenancy is a good omen. "Movers" are not as a rule desirable, either as tenants or as credit risks. Husband's occupation and how long employed in present and past positions. References come next. These are usually two in number, and are preferably those who have dealt in a business way with the applicant, and especially on credit.

REFERENCES

BANK references are most satisfactory, and are attended with no embarrassment to the applicant. But it is surprising how many who have bank accounts buy furniture on the installment plan, as an easy way of saving (?) money; or, more particularly, an easy way of paying for such articles, frequently unnecessary. Savings banks, as a rule, do not give such references without explicit order from the depositor, and such references are not usually satisfactory, while banks of discount are, as a rule, glad to extend the courtesy, but without obligation on their part.

Right here comes an apropos story. A large New York bank inaugurated the rule, a few years ago, that all borrowers should keep a balance com-

mensurate with their line of credit, upon which no interest would be allowed. A certain Irishman who was a large borrower and a most desirable credit risk, promptly closed his account for the reason that he couldn't see why he should keep a large balance which he couldn't use to buy scrap iron with, and borrow at the same time. If he had money to put in the bank he wouldn't borrow; and if he borrowed, he didn't propose to put it back in the bank. And why many people prefer to buy on long credit and pay installment prices, when the easiest way to make money is to pay cash, is a credit enigma. Credit never gets bargains. Cash can always.

It is likewise interesting to note that many who have gone through life on the pay-as-you-go-or-don't-go basis, find it embarrassing, to say the least, to give references when applying for credit.

Particularly is this true of those who board, as well as those in cities like New York, where even the dealer does not know the steady customer who pays for the goods and takes them home. Only personal friends can be used as references in such cases, and many a proud spirit rebels at letting even their closest friends into their personal secrets. Diplomacy is a fine art here, and many a sale has been lost because a delicate situation was badly handled.

PERSONAL CREDIT RATINGS

HAVING the application as a starting point, the investigation follows. The first step is to look up the applicant in the credit rating books. These are compilations made from careful investigations by credit reporting companies, giving the experiences of those who have sold the parties named therein. By a system of letters or figures these experiences are summarized, as for instance: "John Smith, 402 West Seventy-second street. PPP," means that three dealers have sold John Smith and found him satisfactory and prompt in his payments. If more detail is wanted a special report can be obtained for a small fee, and this goes quite extensively into the applicant's record.

The attempt to classify and rate personal credit risks is to be encouraged. At best it is not absolutely accurate; but working upon the theory that having paid one merchant the buyer will pay another, some degree of safety may be obtained. Blacklists have been made out, and experiences exchanged, which when made with care are a safeguard not to be despised in the granting of personal credit.

Next, the references are written to, the letter being couched in such terms as to hide the real reason for the request except that it is an inquiry into the person's habits and general financial situation. Next comes the "neighborhood" inquiry. This usually consists of a personal investigation, looking into the person's desirability as a tenant, a neighbor, a boarder, etc. Nearby stores are frequently visited to ascertain if the party trades with them and if so upon what basis and with what results. All this is done as by an amateur detective, so that embarrassment does not follow. Lastly, but in many cases, first, comes the verification of the business connection. This is often done so cleverly that the applicant himself is interviewed without knowing the object of the visit, and many credits are opened on this test alone.

Many applicants for credit do not want their superiors to know of their condition, while others do not care. Length of service counts for much and some credit men will pass an application upon the strength of long employment in one place, and well they might. Where the applicant is a public officer, whose habits are well known, and whose compensation is a matter of record, no other investigation need follow. For instance, in New York a list is published of all municipal employees and school teachers, so that such information is easy to obtain. This,

too, is often deemed sufficient to open a credit. Becoming satisfied from the information gathered that the applicant is worthy, the credit is opened.

INDIVIDUAL CREDIT VS. MERCANTILE CREDIT

INDIVIDUAL credit is to be distinguished from mercantile credit. While individual credit is credit extended by a business concern to an individual as such, mercantile credit is the credit extended by one business house to another as such. The credit which John Smith the individual seeks for his household purposes differs from that which he seeks as a trader. The one is consumptive credit; the other trading credit.

Personal credit is based upon an inquiry into or a knowledge of the borrower. This knowledge, in small places, is so common that inquiry does not have to be made, the credit man carrying much of his credit information "under his hat." The same process which obtains in the granting of personal credit takes place in extending mercantile credit, in its essentials, but has surer grounds upon which to work, and usually has property as a basic element. Honesty, business sagacity and a good record among the trade are as essential in mercantile credit as the qualifications mentioned above are essential in personal credit.

In the place of the references mentioned above, we have the trade references. In the place of the neighborhood inquiry, we have the banking and mercantile inquiry, seeking to discover how the borrower has conducted his affairs in the past. And lastly, in the place of earning power as an individual we have earning power as a trader, and this is evidenced by his statement which reveals his present condition, and in comparison with previous statements and profit and loss accounts indicate the profitableness of the business.

Individual credit has well been called consumptive credit; for the credit is used as a rule in order to satisfy present needs from future income. Retail credit is quite generally for the necessities of life and sometimes the luxuries. It is not based upon an exchange of goods. It does not bridge the time from one process to another, but is extended that present wants may be purchased upon expectancy. It is an annuity working backwards.

Commercial or mercantile credit, however, has production in mind. It "carries" a business transaction. It fills the void between purchase and sale. It gives the buyer time to turn the goods into money before he pays for them. It gives the manufacturer time to turn raw material into finished products before payment is due. It provides working capital. It is productive credit, and the whole process of production, transportation and distribution is based upon it.

To distinguish again by example, let us take a typical illustration of an application for personal credit. A school teacher, for instance, applies to a department store for a monthly charge account. The reasons may be few or many. She may be short of funds and trading upon her expected salary. She may prefer to shop on a charge account because it eliminates the carrying of money and simplifies the return of goods. She may like the prestige a charge account gives her. She may have been solicited to open such an account. She buys, not to sell again, but to consume. Not a single purchase is for reselling, but for the satisfaction of her wants. Proving satisfactory upon investigation as to her position and personal habits, she gets the credit.

But John Smith, the merchant, buys to sell again. He has property. He has a record; he has a reputation. His affairs are easily checked. He makes a statement of condition, which if wilfully wrong is a felony. We find that for every dollar he owes he has one, two or two and a half in hand or due him. We have an audit. We can with fair degree of accuracy judge our

risk, and know that by the extension of the credit he will make a profit and we will make a customer. We base one credit solely on the person; the other, in a very large measure, upon the property. In the former we expect to find but one (perhaps two) of the "big C's of credit"—Character, Capacity and Capital)—namely, character. In the latter, we must have all in some degree, and preferably all in a large degree. But the capital element is generally entirely lacking in personal credit, while an essential element in trading credit. Lack of capital is responsible for more failures than any single cause.

THE GROWTH OF PERSONAL CREDIT

THE growth of individual credit may be ascribed to three causes: (a) The desire to extend business. Many concerns catering to the retail trade encourage charge accounts and carry thousands of them on their books, knowing full well that credit accommodations lead to over-buying. Well-rated people are constantly solicited to open such accounts; and not knowing how their names are secured, take it as a compliment and are flattered thereby. (b) The fear of offending customers by refusing credit. This is particularly true in very small establishments, where to refuse the request to "charge it" would lead to loss of custom. Moreover, it is harder to refuse a small credit than a bank loan. One is strictly personal in its setting, while the other may be referred to that impersonal "discount committee" which exists often in name only, but is a good bumper between the official and the applicant. (c) The all-too-prevalent tendency to live beyond one's means, making it necessary to live on expectancies rather than realities.

Personal credit is often used to bolster up a tottering man. It is used to create impression. Credit men could tell tale after tale of charge accounts abused, and installment buying resorted to by those who would ordinarily disdain such a transaction, for no other reason than to make an appearance. The credit that wrecks business in New York is not Third avenue credit, but Fifth avenue and Riverside Drive credit. Third Avenue may have a certain kind of credit (usually the dollar-a-week credit—or cash), while Riverside Drive has credit (or gets it) and rarely thinks of paying cash. A Fifth avenue tailor told the writer recently that his accounts run from two to four years, and "a little cash now and then looks mighty good to him."

This abuse of personal credit is notorious among the rich, the idle rich, the would-be-rich, or the was-rich. This condition may be due to the mental conclusion that because they are good for their debts, they need not hurry to pay them; or it may be due to ignorance of what the tardiness costs them. The tailor above mentioned admitted that he got good interest on his money by the long delay, the interest charge being concealed in the price of the garment. But were he given his choice, he would doubtless choose shorter credit and less profit.*

The period for which individual credit is extended should coincide with the debtor's periods of income. In the case of the wage-earner, who receives his pay weekly, weekly credit would be justified, but prompt settlement should be demanded in order that the debt might not overlap into another period. Salaried men who are paid monthly may safely be carried from month to month, but the same rule applies. Those whose earnings are dependent upon fees, which may be more or less uncertain or spasmodic, cannot in the nature of things be in funds regularly, and credit in such cases is of longer duration than in the case where income is steady even though small.

The time element is a factor of no

* The credit man of one of the large department stores that caters to Fifth Avenue trade states that Fifth Avenue pays as promptly as can be expected if proper credit methods are used. If the risks are selected and the credit machinery effective, no complaint will arise as to the desirability of the patronage of the wealthy. The tailor does not select his risks.

mean import in individual credits. The obligation of the merchant has a fixed maturity, if in the form of a note, and generally so, if in the form of a book account, especially with the system of cash discounts now so generally prevailing. He expects to meet his bill or his note at maturity. Not so, however, in personal credit. While the terms may be thirty or sixty days, this means nothing to the charge customer. He pays when it is convenient. Ask the average charge customer what are the terms of his credit, and when he pays his bills, and he will answer, if honest, "At my convenience"; and sometimes, "Never!"

The field of personal credit offers perhaps as interesting experiences as any branch of mercantile life. To deal with people is always more interesting than with things. While in a measure personal credit is perhaps the most risky, yet on the broad assumption that the average man is honest, it need not be attended with undue dangers. It requires diplomacy, skill, knowledge of human nature, tact, courtesy, firmness. To get business; to hold it; to say "no" and do it kindly; to be liberal, yet safe; to select the good and discard the bad—all this falls to the lot of the personal credit man.

The losses in personal credit must in the aggregate be enormous. The losses compiled by the agencies do not and cannot include those little unrecorded losses suffered by retail merchants the country over. Thousands of small groceries, laundries and butchers accept these little, and sometimes big, losses as a matter of fact—a necessary evil in their business—and make the best of it, satisfied to make a living in spite of them. From the small corner grocery to the huge department store, whose losses are kept down by better methods, this evil appears, as an open sore, to be kept under some control, but not entirely healed. It is no wonder that the merchant who sells only for cash thrives. His profits, though small, are certain, and a dollar in the till is worth two on the books.

Lawyers cannot collect for their legal services; doctors for their professional calls; the latter being especially subject to this abuse, not to speak of those losses taken by individuals who loan their friends money, in the hope that payment will some time be made and find they have mistaken a loan for a gift.

PERSONAL CREDIT THE FOUNDATION OF THE CREDIT SYSTEM

IT is obvious that personal credit is the very foundation of the whole credit structure. If the retailer extends credit unwisely, so that his bills cannot be promptly met, the jobber or wholesaler cannot meet his. The manufacturer in turn cannot meet his, and the weakness extends to the whole system. If, on the other hand, the retailer extends credit only to those worthy and prompt (as all well regulated credit departments endeavor to do) or trade for cash, the next in line feels the stimulus, and so on through the whole course of trade.

Business cannot long be conducted on mere book account. While the account receivable is a simple and ordinarily a good credit instrument, prompt settlement is the very essence of sound business. Payment in some more desirable form of credit instrument must not be long delayed, for with the assets of business in form of accounts receivable the burden of carrying the credit becomes too great a strain upon banking capital, and bankruptcy ensues. Many a business has been wrecked upon the quicksand of personal credit.** Whom to trust is the problem of all business. To get the money for goods sold is the function of the credit department as well as to decide who shall have goods on credit and upon what terms. And to collect money is as fine an art as to sell goods.

** The accounts of a large department store in New York were scaled down twenty-five per cent. upon a careful audit—a very large shrinkage, due in the main to too liberal credit methods.

ANALYSIS OF CREDIT STATEMENT

A WHOLESALE TAILORS' TRIMMINGS & BUTTON CONCERN.

Statement from Inventory of November 20, 1912.

ASSETS.

Merchandise	$619,255.64	
Cash	109,026.66	
Accounts receivable net	1,030,329.06	
		$1,758,611.36

LIABILITIES.

Accounts payable net..	$389,329.90	
Bank bills payable	110,000.00	
		499,329.90
Surplus		$1,259,281.46

COMMENT

THE above statement of condition is altogether too brief, but is a good statement. We notice first, the large cash balance, and against it look at the bills it must pay. For borrowed money amounting to $110,000, it has in bank $109,000, or enough to liquidate its indebtedness by simply having its loans charged to its account. It could pay twenty-five per cent. of its accounts payable from its cash balance. It has accounts receivable of a million dollars and accounts payable of $389,000, or about 2.65 to one. It has merchandise of $619,000, more or less staple, and even allowing a heavy shrinkage in its merchandise or in its receivables it is a safe risk. Its assets are all quick, and the ratio as above stated, and this is considered ample in any line. It could borrow considerably more than the statement shows. But the accounts receivable being large would bear investigation, to ascertain how old and if they are good. Without knowing the terms of sale and the total sales we cannot determine if these are too large; but, on the whole, it makes a good showing, although simple, and should be supported by the profit and loss account.

Further Banking Legislation Needed

Extension of Clearing-House Functions Proposed

Editor Bankers Magazine:

SIR: I agree with your views that further action by Congress is necessary in order to extend and perfect the banking system created by the Federal Reserve Act, and now about ready to be put into operation. There are approximately 7,500 national banks and 18,000 state banks and trust companies in the United States doing a deposit and discount business. The new law compels all the national banks to enter the system or go out of business, and they have, with few exceptions, decided to join; but it is left optional with state institutions to enter or not as they please, and practically all of them have so far preferred not to join. These are about the results which I apprehended from my studies of the situation prior to the passage of the Reserve Act, and so expressed in several articles which I published on the subject.

The new system when in successful operation will have the effect of preventing the surplus banking funds of the country from accumulating, as formerly, principally in New York and Chicago, and will also to a certain extent provide facilities for rediscounting specified kinds of commercial paper. These are movements in the right direction. But there are fundamental defects in the system now and for many years in force, which will scarcely be affected by putting the new system into operation. To cure these defects should be the purpose of the additional legislation. I have opportunity here to mention but two of these, with suggestions for remedying them, namely, 1, lack of assurance to depositors against loss or tying up of their

deposits, and, 2, lack of assurance to borrowers that they will have all reasonable facilities for renewing (not increasing) their loans in times of business stress. Our banking system should be absolutely sound at its base, and it cannot be made so until the two above results shall have been attained.

To accomplish the first of these a system of clearing houses should be established, and their functions enlarged in the following manner: Let clearing houses be organized under federal law in all cities of considerable size of the country and in sufficient numbers to serve the banking needs of every section. Compel every organized banking institution doing a deposit and discount business in each city and its adjacent territory to join the appropriate clearing house for that section. Make each clearing house responsible to all depositors in all its member institutions for the immediate payment in full of their deposits, in case any member shall fail. Give to each clearing house authority to issue its certificates or notes in large denominations, payable not more than —— months from date, said notes to be employed for paying balances due among member institutions, and, generally, to have the functions of "lawful money" during the brief periods for which issued; but they must only be issued to any member on its depositing its customers' notes for an equal amount, and they must always be redeemed on or before their date of maturity, after which they will cease to have any validity except for purposes of redemption. Give each clearing house ample authority to require daily reports, and to appoint examiners, so as to keep fully posted concerning the condition of its members, and so that erroneous banking methods and practices can be quickly detected and suppressed. These several clearing houses could be united into larger groups until they form one group in each section covered by the twelve regional reserve banks; and they could with advantage be given many added functions not possible here to enumerate or discuss.

The second of the above desired results is of nearly equal importance with the first. To provide banks with means that will enable them to renew (not increase) borrowers' loans in times of business stress when collections are difficult is of vital importance; for there are thousands of business concerns that can weather financial storms if they can depend upon reasonable extensions of loans when money is in extraordinary demand. This is one of the very needs recognized by the Federal Reserve Act, and it makes a desultory move in the direction of supplying it. But the scheme is not adequate. Each individual bank must stand upon its own resources in applying to the district reserve bank with no coöperation among the several institutions in a given locality. In many instances the bank needing assistance will be located at a distant point and the managers of the reserve bank will have no knowledge of its affairs or its directors. In times of stress when needs are pressing many banks will seek assistance at the same time, and all on very short notice. Delay or hesitation to grant the requested relief to any bank will at such times spell disaster.

There appears to be no way thus far suggested for granting to banking institutions the very assistance they must have to enable them to extend their customers' loans in times of business depression, so well adapted to its purposes as would be the authorized issue of certificates (notes) of clearing houses, each representing the joint and several responsibility of all the banks in its own section of country. They could be issued instantly on demand, in any amounts desired and warranted, and under the supervision of local officials whose duty it would be to keep themselves posted as to the managers and the conditions of each member institution. And those officials would be held responsible for any failure of duty to any bank, or for any semblance of favoritism, by the officials of the larger groups, and finally by the directors of the appropriate district Reserve Bank.

Still another abuse that appeals for remedy, of which none will be obtained from the new law, is that of the stupendous losses suffered by patrons of banks and bankers. These losses have amounted since 1865 certainly to $400,000,000, and probably to $500,000,000. It is doubtful if there is any other phase of American business that is equally disgraceful; and this for the reason that it has been easily possible, and is now, for Congress, by simple amendment of the banking law, to put an absolute stop to such losses for the future. In referring to this matter, and in all that has been said above, it has not been sought to disparage, but rather to suggest means for supplementing, in certain respects, the Federal Reserve Act, which is beyond doubt a great improvement, so far as it goes, over the old system in use since the Civil War.

MURRAY CORRINGTON.

New York, Nov. 28, 1914.

Banking Publicity

Conducted by **T. D. MacGREGOR**

The Appeal of Christmas

Why Banks Should Get Some of the Holiday Spirit into Their Advertising

WE commend unreservedly the Christmas advertising of the Union Trust and Savings Bank of Spokane, nine samples of which are reproduced herewith. The Christmasy atmosphere is unmistakable—Christmas bells, Santa Claus, Christmas trees, holly, mistletoe, candles, chimneys and children—all are there. About the only thing absent is the reindeers, but perhaps they have been superseded by a chug-chugging motor car or aeroplane.

The rationale of Christmas bank ad-

THE REAL CHRISTMAS SPIRIT HERE

vertising lies largely in the fact that Christmas means giving and giving means money, while the bank, more than any other institution has to do with money.

But there is another reason why the advertising bank should take suitable cognizance of the approach of the holiday season and that is because "everybody's doing it." That is, not only does almost every other advertiser put some of the Yuletide spirit into his advertising copy at this time, but inasmuch as almost everybody is thinking Christmas thoughts and doing Christmas deeds, a Christmas advertisement carries an appeal that a plain everyday bank advertisement would not at this season.

Here are a few ideas which could be used advantageously in Christmas bank copy:

Giving a savings account or a bond as a Christmas present to children or employees.

Such a present to be regarded as a lifelong gift because of the perpetual earning power of money and also because of the long influence of the thrift habit.

Give money by check, as a clean, dignified and pleasing method of presentation.

Open a savings account with the money you receive at Christmas time.

At the holiday season merchants have larger cash receipts than at any other time. Get the money into the bank as quickly as possible. Don't trust your office safe any longer than absolutely necessary.

For safe keeping of some particularly valuable Christmas gifts use a safe deposit vault.

Advertise bank drafts and domestic and foreign exchange for the sending of Christmas money. But this year special statements will need to be made as to just what the bank can and cannot do in the way of sending money to Europe.

While everybody is thinking of gifts, run a savings advertisement of this tenor:

BETTER THAN A GIFT

of money is the gift of making money.

A large part of that is the habit of saving, because having capital to work with is one of the first essentials of money making.

This bank's savings department, with its absolute security and compound interest, is a first aid to thousands of savers in this city.

"House Organs"

One of the Best Advertising Media for Banks

A "HOUSE ORGAN" is a periodical issued in the interests of one particular institution, though edited in such a way as to give it general interest as well. It is a form of advertising which an increasing number of banks are taking up to supplement and complete their other advertising efforts.

Institutions which have a well equipped advertising department edit their own house organ, but the great majority of banks using this form of publicity take advantage of a "syndicate" house organ service which gives them, as a rule, a higher grade of material at less cost.

A bank house organ must be interesting. Too many of them are filled with archaic jokes and long, trite, often silly stories.

Good literature is cheap and people do not turn to bank publications for entertainment.

The bank that issues a house organ which is filled from cover to cover with suggestions *that will guide one success-ward* will find it most profitable advertising.

A bank house organ should tell the story of banking service in ways that will make people want to be bank patrons.

It should be brim full of suggestions which will help people solve their financial problems.

It should explain everyday finance. It should lay bare the pitfalls which beset amateur investors. It should explain the essentials of credit—the

more the public knows of them the fewer foolish requests will be asked of bankers.

Will a house organ pay your bank? If it would pay to have people know it better, yes.

It will pay to send a monthly house organ to your present depositors, because it will suggest some features of your service it has not occurred to them to use.

All of your customers should be made familiar with the doings of your bank because it is their bank.

It should be sent to non-depositors, because the best way to draw people to your bank is to hold up to their view constantly the benefits of an association as a depositor with you.

We would be glad to answer any questions about bank house organs.

To Interest Young People

Essay Writing Contest of a Syracuse Institution

THE privilege of handling a $1,000 gold certificate was one of the minor incidents of a "personally conducted" tour of the home of the Syracuse Trust Company, Syracuse, N. Y., made recently by the advanced bookkeeping class of one of the local high schools.

The pupils—thirty of them, mostly girls—were shown about the building by Berton L. Brown, manager of the safe deposit department of the company, who explained the operations of the bank, the importance of the habit of thrift and the proper methods of taking advantage of the facilities of a trust company or similar institution.

The young people were greatly interested in looking over the great safe deposit vault.

That they may obtain a practical insight into banking, the trust company has invited the members of the upper classes of all Syracuse schools to see the safe deposit vault and other departments of the institution.

Information gained by the pupils will later be utilized by them in writing essays on what they saw and heard, and for the best five compositions about banking the trust company will award cash prizes of $1 each.

To Inspire Confidence

A Florida Bank Runs Some Good Advertisements

THE Peoples Bank of Jacksonville, Fla., believes in printers' ink in crises. It published the following advertisements shortly after the war broke out:

STEADY NOW

The banker is, all too often, a fair weather mariner. This is largely due to the fact that his position upon the financial lookout gives him advance information of the commercial waters being troubled.

Frequently he mistakes a squall for a real blow and develops a paralyzing fear when all he has to do is to trim sail and run his vessel into the teeth of the wind.

The banker who believes in his customers, who knows his banking ship, can, if he is strong of hand and stout of heart, face all such disturbances with calm assurance.

Such a bank we offer you in the

PEOPLES BANK
OF JACKSONVILLE

LITTLE FAITH

An old Georgia negro on being asked by the writer if he did not want to ride just one time on a train, replied:

"No sir, little boss, I ain't got no notion er ridin' on nothin' what's got 500 folks a-ridin' and jess one man to say whoa."

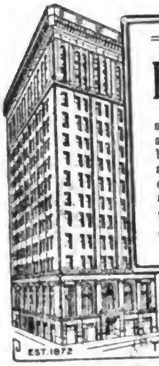
This lack of faith on the part of the old darky aptly illustrates the pessimistic feeling too often found in this country at the present time.

So far as we are concerned, we believe in our Country, we believe in our President, in our State and in this City.

Furthermore we have abiding faith in the ability of our people to meet every issue with the same heroic spirit with which they met the conditions arising from the great fire of 1901.

This bank stands ready, always, to show its faith by its works.

PEOPLES BANK
OF JACKSONVILLE



Entrench Yourself

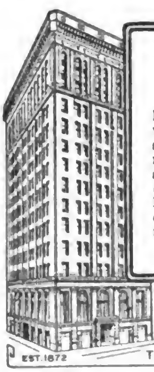
against the assaults of such misfortunes as sickness, accident, loss of work, or business reverses, by laying by now, in a Merchants' National Bank savings account, all the money you can possibly spare without neglecting any present obligation.

MERCHANTS NATIONAL BANK
CAPITAL $2,000,000. SURPLUS & PROFITS $2,250,000
EST. 1872 THE BANK OF PERSONAL SERVICE

Reinforcements

The timely aid of reserve forces has turned the tide of many a battle. It's the same in personal or business finances. A reserve of cash in the bank may win the day for you some time when you are hard pressed. Mobilize your savings reinforcements at the

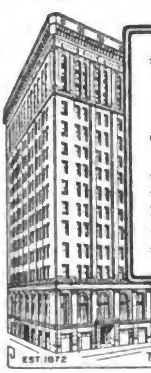
MERCHANTS NATIONAL BANK
CAPITAL $2,000,000. SURPLUS & PROFITS $2,250,000
EST. 1872 THE BANK OF PERSONAL SERVICE



Taken by Storm

Many a man has been swept off his feet by sudden financial disaster who could have been saved by a reserve of cash in the bank. Business men don't neglect the precaution of an emergency fund. Choose a Merchants National Bank Certificate of Deposit or Savings Account and your capital will receive steady reinforcements of 3½% interest.

MERCHANTS NATIONAL BANK
CAPITAL $2,000,000. SURPLUS & PROFITS $2,250,000
EST. 1872 THE BANK OF PERSONAL SERVICE



Peace

of mind is one of the rewards of thrift.

The perfect freedom from worry which you will enjoy will be well worth any slight self-denial you may have to practice in building up your savings account in the

MERCHANTS NATIONAL BANK
CAPITAL $2,000,000. SURPLUS & PROFITS $2,250,000
EST. 1872 THE BANK OF PERSONAL SERVICE

THE MARTIAL SPIRIT

Individual Trust Service

The Custody of Securities

Our customers who deposit securities with us for safekeeping and attention have these advantages:—the safety of our own vaults—the expert attention of our Trust Department in collecting and crediting income, in attending to subscription rights, in executing orders to buy or sell. All securities held subject to customer's inspection and disposal.

This is safekeeping service plus the service and experience of a well organized trust department. Inquiries invited.

Metropolitan Trust Company

George C Van Tuyl, Jr., President

49 Wall Street

Practical Banking

The model State Banking Law gives New York merchants and manufacturers real advantages. It is part of the closer relation between finance and commerce, which results in more practical and helpful banking

The officers of the Metropolitan Trust Company are in sympathy with the new methods and offer a dependable banking organization which has as its highest aim the desire to render all proper and adequate service to the customers of the company

Metropolitan Trust Company

George C Van Tuyl, Jr
President

49 Wall St.

EXCELLENT

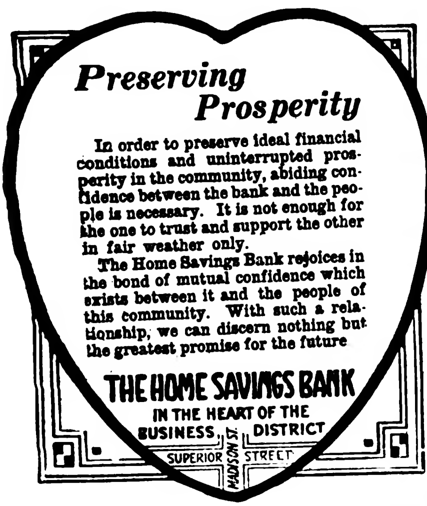
How Banks Are Advertising

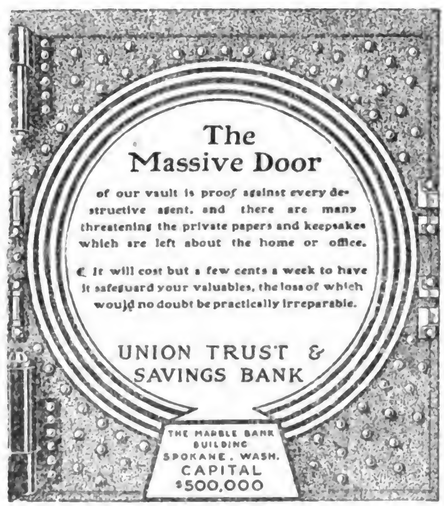
Note and Comment on Current Financial Publicity

"THE SEAL OF SAFETY" is the title of an especially tasteful and effective booklet of the First Trust and Savings Bank, Chicago. The seal referred to is the trademark emblem of the institution embossed on the front cover.

⊙

The heart-shaped advertisement of The Home Savings Bank of Toledo and the vault door one of the Union Trust and Savings Bank of Spokane, offer points worthy of consideration. The idea of the heart-shaped border design is to emphasize the location of the bank, "In the Heart of the Business District," and so that "the wayfaring man, though a fool, need not err therein," a little street map is printed in the right and left ventricles of the heart. The round door of a safe deposit vault makes such a good opening for copy that it is surprising that more banks do not avail themselves of this idea in calling the attention of the public to their safe deposit facilities.





TWO GOOD IDEAS

Of the four "war" advertisements of the Merchants National Bank, St. Paul, the one headed "Taken by Storm" was run in the local papers on the day the news was received concerning the taking of Antwerp by the Germans.

⊙

The German-American Savings Bank of Muscatine, Iowa, about that time ran this ad.:

MUNITIONS OF BUSINESS

Munitions of business, like munitions of war, must be produced and stored in times of plenty against the hour of stress and need.

Setting aside a surplus fund from one's monthly business profits is the safe way to provide for unforseen circumstances.

Our savings accounts or time certificates offer a safe, convenient way of doing this,—and they earn 4 per cent. interest.

⊙

A rather unusual note in trust company advertising was struck recently by the Metropolitan Trust Company of New York in its advertisement: "How level-headed business men provide business management for their estates." Instead of arguments alone, it gave the names of four prominent men who had selected not only the

How Level-headed Business Men Provide Business Management for Their Estates

James Campbell, Chairman of the Board, North American Company, appointed the Mercantile Trust Company, St. Louis, as his trustee and executor.

Calvary Morris, coal operator and banker, named the Cleveland Trust Company.

William J. Gaynor, ex-Mayor of New York, appointed the Kings County Trust Company.

Frederick Townsend Martin, well known in New York, selected the Metropolitan Trust Company of New York.

Each recognized this fact: that the Estate a man has worked to build up for his family, his philanthropies, or his charities can perform its service only if administered efficiently over a long period of time, and for this a well organized, experienced trust company is pre-eminently qualified.

Thirty-three years' experience is back of the work of this company's Trust Department. The officers will be glad to discuss Executorship or Trusteeship with any one interested in the subject.

Metropolitan Trust Company
of the City of New York
George C. Van Tuyl, Jr., President
49 Wall Street

A Coming Business Requirement

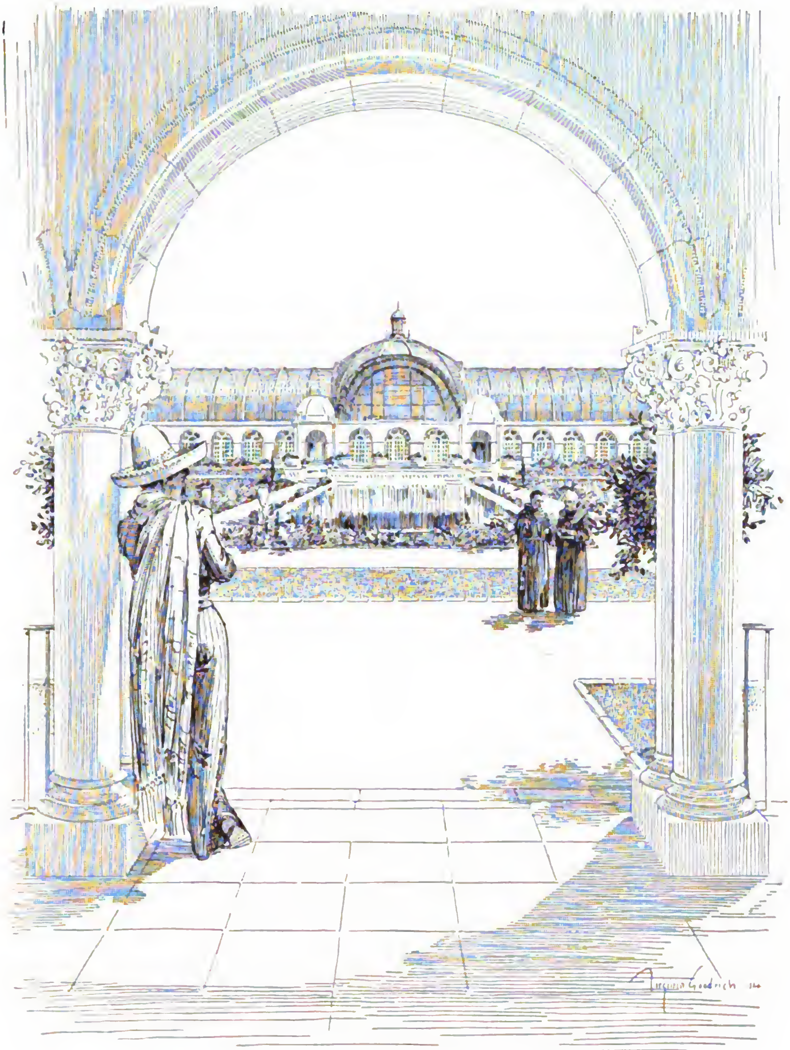
Financial men in corporations now realize the advantages of having their Commercial Paper registered. It will soon be an actual requirement.

The registration of Commercial Paper is a feature of the practical banking service which this company offers to corporations. Our officers will be glad to explain the advantages of such registration.

Beverly Chew Vice-President	George C. Van Tuyl, Jr. President	Edwin F. Rorebeck 2d Vice-President
Bertram Cruger Treasurer	James F. McNamara Trust Officer	George N. Hartmann Secretary
R. W. K. Anderson Assistant Treasurer	Frederick E. Fried Assistant Secretary	Willard E. McHarg Assistant Secretary

Metropolitan Trust Company
of the City of New York
49 Wall Street

UNUSUALLY STRONG TRUST COMPANY COPY

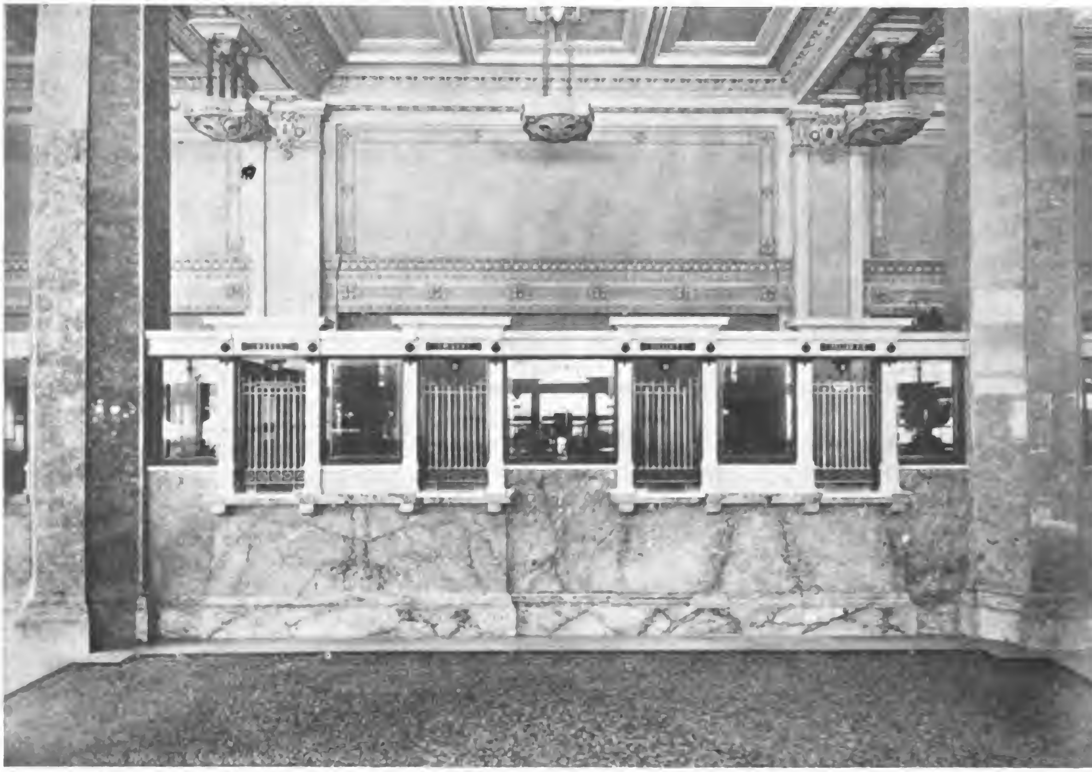


PANAMA-CALIFORNIA EXPOSITION AT SAN DIEGO—BOTANICAL BUILDING

Metropolitan Trust Company, but the Mercantile Trust Company, of St. Louis, the Cleveland Trust Company and the Kings County Trust Company of Brooklyn, as executor or trustee. This recognizing of other trust companies in the advertisement of the Metropolitan Trust Company was a fine compliment and good business at the same time. This advertisement also served to call attention to other effective advertising which the Metropolitan Trust Company has been doing, specimens of which are shown in this issue. These advertisements are appearing in the New York Times, Tribune, Sun and Evening Post.

We are in receipt of a booklet "San Diego, California, in 1915" and the following letter from E. M. Barber, cashier of the San Diego Savings Bank:

We are submitting for your criticism a booklet issued by us, covering San Diego, the Panama-California Exposition and the service which this bank will render during 1915.



SAN DIEGO SAVINGS BANK—SECTION OF THE OFFICERS' QUARTERS

This booklet is being sent to every State and private bank and trust company in the United States, and our mailing list will include between 18,000 and 20,000 banks. With the booklet we are mailing a letter and cards of introduction, samples of which we also enclose.

On account of its scope, we believe this is one of the biggest things that has been attempted for some time by any bank. You will note we are making a special feature of the General Service Bureau which we will maintain during the entire year. This, also, we believe, is a unique departure, and we are preparing to receive and care for a vast number of visitors during the Exposition year.

We are fitting up a portion of the basement of our new home in order to handle this additional business. The booklet was printed by a local concern, and we look upon it as a work of art.

We started to mail the first 10,000 on October 1st and by the time this reaches you, we are expecting to hear from them.

Our Exposition will absolutely open on New Year's Eve., January 1st, 1915, and will remain open until December 31st of the same year. We are very proud of it, and while it will not be as magnificent as the San Francisco Fair, it will be an Exposition worth coming miles to see.

One feature on which we are all congratulating ourselves is the fact that it will open absolutely free from debt and with money in the treasury.

If it is not taking too much of your valuable time, we would appreciate an expression from you on this work, which we are forwarding under separate cover.

This is a big piece of advertising for this bank and it is an effort which ought to be appreciated by the city of San Diego and by the fair management. It ought to do the bank a lot of good among the banks of the country, too. The booklet is a particularly handsome and complete one. The form letter accompanying it we likewise reproduce as we want to do anything we can to help along the "See America First" movement at this time:

Dear Sir:—

You are doubtless aware that during the coming year the City of San Diego will celebrate, with an International Exposi-

tion, the completion of the Panama Canal. This Exposition has been under construction during the past four years and involves the expenditure of millions of dollars. It will open January 1st and remain open the entire year of 1915.

We have taken the liberty of mailing you the enclosed booklet, fully describing San Diego and her Exposition, also the special service which will be offered visitors during that year by this bank.

This service is unique in its scope. In addition to extending the usual banking courtesies the bank will maintain, during the entire Exposition year, a General Service Bureau in charge of an officer and corps of assistants. The services of this bureau will be absolutely free and are fully described in the booklet.

We presume that many of your friends will visit our Exposition, and are therefore enclosing a number of identification cards to this bank. When properly filled out and signed by one of your officers these cards will procure for their holders every courtesy and attention within our power. An additional supply of the cards will gladly be mailed at your request.

In view of the fact that travel West will continue during the entire year, we would suggest that you file this booklet for future reference.

Do not hesitate to use us in any way, and we assure you that anyone you may commend to our care will be accorded every courtesy. Trusting that we may also have the pleasure of a personal visit from you during the Exposition, we are,

Very sincerely yours.
E. M. BARBER, Cashier.

We present herewith two illustrations from the booklet referred to in the foregoing.

The Federal Title and Trust Company, Beaver Falls, Pa., is a consistently good advertiser. It makes quite a feature of booklets suitable for enclosure in No. 6 envelopes. "The Federal Bank Book" is in the form of a monthly house organ. "Is *Your* House in Order?" is a booklet adapted from the now well-known contribution to "Collier's Weekly" by P. C. Macfarlane.

The Albany, N. Y., City Savings Institution, which was the first institution in New York's capital city to pay four per cent. interest on savings, is now going after banking by mail accounts. "U. S. Mail for Banking" is the title of its main piece of literature, which is well written and printed. A postal card for the recipient to use in sending for a pass-book and signature card is enclosed with the booklet.

The First National Bank of Richmond, Va., does what it can to promote confidence and optimism in its territory

A CHALLENGE TO US

THE South is facing nothing new when it confronts a crisis. Its career of triumph has many mileposts of misfortunes and it has never let any one of them halt its momentum longer than for a moment. Other events that thwarted its purposes of progress gave birth to ingenuity and initiative that finally amazed the world. It is just now suffering reverses which are somewhat unique and peculiar to the cotton-growing area of the United States, but it would disclose a lack of faith in our manhood to fall back into absolute inertia, and lose the asset of self-confidence. Times like these come as a challenge to our consciousness of power and serve as an opportunity to display the talent that abounds about us.

From the Editorial Columns of the *Charlotte Observer* of several days ago.

COMPLIMENTS
First National Bank,
OF RICHMOND, VA. October 24, 1914

THIS HAS THE RIGHT RING TO IT

by circulating the strong editorial from the "Charlotte Observer" reproduced herewith.

A rather unusual way of looking at it is presented in an advertisement of the Hibernian Savings Bank, Los Angeles, as follows:

If it were possible to combine the aggregate knowledge and experience represented by the years of study and practical application given to banking by the directors of this institution, the result would reveal a colossal mind with over 300 years of banking experience in Southern California.

Bank Advertising Exchange

Those listed herewith are willing to exchange booklets folders and other advertising matter issued by them. Subscribers can get on this list free of charge by writing to the editor of this department.

Watch for new names and other changes.

F. R. Adams, Will Co. National Bk., Joliet, Ill.
American National Bank, Richmond, Va.
Carl W. Art, manager publicity department, Union Trust & Savings Bank, Spokane, Wash.
A. F. Bader, publicity manager, City National Bank, Evansville, Ind.
C. W. Bailey, cashier, First National Bank, Clarksville, Tenn.
The Bankers Magazine, New York.
H. C. Berger, Marathon County Bank, Wausau, Wis.
C. J. Bevan, cashier, Exchange Bk., Genoa, Ill.
E. L. Bickford, cashier, First National Bank, Napa, Cal.
W. O. Boozer, treasurer, American Trust Co., Jacksonville, Fla.
R. A. Bradham, cashier, The Commercial & Savings Bank, Sumter, S. C.
Jesse E. Brannen, cashier, First National Bank, Westwood, N. J.
E. M. Baugner, president, The Home Building Association Co., Newark, Ohio.
C. W. Beerbower, National Exchange Bank, Roanoke, Va.
H. C. Bollman, assistant cashier, First National Bank, Collinsville, Okla.
T. J. Brooks, cashier, The Guaranty Trust & Savings Bank, Jacksonville, Fla.
J. A. Buchanan, Guaranty Trust Co., Lancaster, Pa.
F. B. Bunch, cashier, Merchants & Farmers Bank, Statesville, N. C.
E. C. Burton, vice-president, Penn. National Bank, Chester, Pa.
Stephen L. Burwell, vice-president, First National Bank, Jackson, Miss.
A. Bush, Jr., Ladd & Bush, bankers, Salem, Oregon.
Citizens National Bank, Oconto, Wis.
Commercial Bank, Midway, Kentucky.
B. S. Cooban, 518 W. 63rd Street, Chicago, Ill.
H. Reed Copp, assistant advertising manager, Old Colony Trust Co., Boston, Mass.
Arthur S. Cory, Chehalis National Bank, Chehalis, Wash.
David Craig, Tradesmens National Bank, Philadelphia, Pa.
Eugene E. Culbreth, Commercial National Bank, Raleigh, N. C.
H. A. Dalby, Naugatuck Savings Bank, Naugatuck, Conn.
Dexter Horton National Bank, Seattle, Wash.
J. T. Donnellan, publicity manager, Security Trust & Savings Bank, Los Angeles, Cal.
T. R. Durham, assistant cashier, Chattanooga Savings Bank, Chattanooga, Tenn
W. R. Dysart, assistant cashier, First National Bank, Ripon, Wis.
J. C. Ehersprucher, assistant cashier, First National Bank, Shelbyville, Ill.
A. A. Ekirch, secretary, North Side Savings Bank, New York City.
F. W. Ellsworth, publicity manager, Guaranty Trust Co., New York.
The Franklin Society, 38 Park Row, N. Y.
E. W. Finch, assistant cashier, Birmingham Trust & Savings Co., Birmingham, Ala.
First National Bank, Lead, S. D.
Jas. P. Gardner, Montclair, N. J.
C. L. Glenn, advertising manager, Wachovia Bank & Trust Co., Winston-Salem, N. C.
B. P. Gooden, advertising manager, New Netherland Bank New York.
C. F. Hamsher, First National Bank, Los Gatos, Cal.
Victor F. Hann, manager publicity department, The Fifth Avenue Bank, New York City.
J. W. Hansen, cashier, Citizens State Bank, Sheboygan, Wis.
E. A. Hatton, cashier, First National Bank, Del Rio, Texas.
John R. Hill, Barnett National Bank, Jacksonville, Fla.
Jessamine G. Hoagland, publicity manager, National City Bank, Chicago, Ill.
N. M. Hokanson, State Bank of Chicago, Chicago, Ill.
Frank K. Houston, assistant cashier, Third National Bank, St. Louis, Mo.
L. M. Howard, vice-president, Continental Bank & Trust Co., Shreveport, La.
W. L. Jenkins, Farmers & Mechanics Trust Co., West Chester, Pa.
N. W. Johnston, president, Illinois Trust & Savings Bank, Champaign, Ill.
W. P. Jones, assistant cashier, First National Bank of Commerce, Hattiesburg, Miss.
W. R. Kay, Jr., advertising manager, Sacramento Bank, Sacramento, Cal.
C. B. Keller, Jr., assistant cashier, Stroudsburg National Bank, Stroudsburg, Pa.
Kennett Trust Co., Kennett Square, Pa
Grover Keyton, New Farley National Bank, Montgomery, Ala.
Edward W. Klein, advertising manager, Cleveland Trust Co., Cleveland, Ohio.
M. R. Knauft, assistant cashier, Merchants National Bank, St. Paul, Minn.
George L. Kreeck, treasurer, Farmers State Savings Bank & Trust Co., Lawrence, Kans.
Henry M. Lester, National City Bank, New Rochelle, N. Y.
A. E. Lindhjem, assistant cashier, Scandinavian American Nat. Bank, Minneapolis, Minn.
L. W. Lovell, assistant cashier, The Lovell State Bank, Monticello, Iowa.
H. Warner Martin, assistant cashier, Lowry National Bank, Atlanta, Ga.
Charles S. Marvel, The First-Second National Bank, Akron, Ohio.
H. B. Matthews, S. W. Straus & Co., Straus Bldg., Chicago, Ill.
Tom C. McCorvey, Jr., assistant cashier, City Bank & Trust Company, Mobile, Ala.
J. C. McDonald, advertising manager, The City National Bank, Sulphur Springs, Texas.
Frank Merrill, advertising manager, The Northwestern National Bank, Minneapolis, Minn.
Will E. Morris, assistant cashier, Farmers & Merchants Bank, Stockton, Cal.
E. R. Mulcock, Commercial National Bank, Syracuse, N. Y.
Nebraska State Bank, Ord., Neb.
Old State National Bank, Evansville, Ind.
J. A. Overton, cashier, The National Bank of Smithtown Branch, Smithtown Branch, N. Y.
R. B. Parrish, cashier, National Bank of Commerce, Williamson, W. Va.
A. E. Potter, president, Broadway National Bank, Nashville, Tenn.
W. W. Potts, treasurer, The Federal Title & Trust Co., Beaver Falls, Pa.
C. W. Rowley, manager, Canadian Bank of Commerce, Winnipeg, Can.
Wm. J. Ruff, cashier, Luzerne County National Bank, Wilkes-Barre, Pa.
W. W. Russell, cashier, First National Bank, White River Junction, Vt.
George J. Schaller, cashier, Citizens Bank, Storm Lake, Iowa.
Almot Schlenker, assistant cashier, First National Bank, Brenham, Tex.
Paul T. Schulze, assistant cashier, State Bank of La Crosse, La Crosse, Wis.
E. P. Simpson, Jr., assistant cashier, First National Bank, Toccoa, Ga.
T. K. Smith, Jr., manager, Gimbel Brothers, Bankers, New York City.
J. G. Spangler cashier, The Mesa City Bank, Mesa, Ariz.
T. H. Stoner, cashier, The Peoples National Bank, Waynesboro, Pa.
C. E. Taylor, Jr., president, Wilmington Savings & Trust Co., Wilmington, N. C.
A. C. Tonsmeire, cashier, City Bank & Trust Co., Mobile, Ala
Union Trust Co. of D. C., Washington, D. C.
F. H. Williams, assistant treasurer, Albany City Savings Institution, Albany, N. Y.
John W. Wadden, Lake County Bank, Madison, S. D.
Wessels Van Blarcom, assistant cashier, Second National Bank, Paterson, N. J.
C. C. Willson, care of Continental & Commercial Trust & Savings Bank, Chicago, Ill
Frank A. Zimmerman, Chambersburg Trust Co., Chambersburg, Pa.
Paul E. Zimmerman, cashier, Oak Park Trust and Savings Bank, Oak Park, Ill.

NEW NAMES.

D. Ansley, care Central Trust Co., San Antonio, Texas.

An Important Development in the Investment Field

Short-Term Bonds Secured by Commercial Paper, Long a Favorite Investment Among Banks, to be Made Available to the Individual Investor

IT is an undisputed fact that commercial paper is one of the best forms of short-term investment in existence. It is also a fact that the market for commercial paper is almost exclusively among the banks. By the new Banking Act the standing of commercial paper is greatly enhanced; but even so, the broadening of the market for paper will be among the banks and in all probability but little more paper will be bought by individuals than formerly. Abroad, where the investment value of commercial paper is generally recognized, untold millions of private capital annually seek investment in this form of security. Here, up to now at least, purchases of commercial paper have been limited to a comparatively small number of wealthy individuals, mostly bankers, or persons having strong bank affiliations.

Widespread interest, therefore, has been aroused by the announcement that the Commercial Security Company of Chicago, the concern which during the past six years has been so signally successful in placing its bonds based on commercial paper with hundreds of banks all over the country, is about to enter upon a campaign to popularize commercial paper in the general investment field. For six years, banks throughout the country have realized that there can be no better security than a properly issued bond based on high-class commercial paper and have shown their appreciation of this fact by their purchases of nearly eleven million dollars' worth of the securities issued by this concern. Realizing, now, that if the banks have found this so eminently satisfactory an investment there ought to be a good market for these bonds with the general investment public, the Commercial Security Company has determined to broaden the market for its bonds and to offer them direct to the individual buyer.

Secured Commercial Paper.

FOR the present at least, it is announced, the company intends to limit the commercial paper against which it issues its own bonds, to the notes, leases and mortgages given by the purchasers of pianos to the dealers from whom they buy. The opportunity for the Commercial Security Company to buy this paper on a basis permitting the issue of six per cent. bonds against it arises from the nature of the piano business. More than three-quarters of the piano business in this country is done on the installment basis, the buyer of the piano paying a certain amount down and obligating himself, by the signing of a mortgage on the instrument he has bought, to pay the rest in monthly installments.

It is this paper, made by the individual buyer of the piano and an absolute first mortgage on the piano until the entire amount is paid up, which the Commercial Security Company buys and issues its own bonds against.

It is required that on all paper purchased by the Commercial Security Company at least twenty per cent. in cash shall have been paid. Against the remaining eighty per cent. the Commercial Security Company issues

its own bonds to the extent of only eighty per cent. That means, it is plain, that never more than sixty-four dollars' worth of bonds is issued against one hundred dollars of actual merchandise value. The cash value of the merchandise, in other words, at the very beginning, shows a margin of at least thirty-six per cent. over the amount of bonds issued, and this margin immediately begins to widen as a result of the three-per-cent.-a-month installments which the purchaser of the piano pays.

High "Paying-Power."

A HIGH official of one of the big piano companies on being asked his opinion of these leases and mortgages given by individual buyers, stated that they possessed a higher "paying-power" than almost any other form of commercial paper with which he was acquainted. "The amount of loss on paper of this sort," he stated, "is negligible. Take the case of the man who makes up his mind to buy a piano on the installment plan. That in itself presupposes a home and usually a definite settled income from which he figures he is going to make his payments. Having paid down twenty per cent. of the purchase price, and having actually received the piano and shown it to his friends, the chances are that he will do almost anything to prevent the dealer from taking it away from him because of a lapse in the payments due. He may fail to pay his butcher and grocer and doctor, but when it comes to the payments on the piano *somebody* will see to it that they are kept up, whatever the state of the family's finances may be. The disgrace of having the instrument taken away by the dealer, for non-payment of the installment due, is something which the average man will go to almost any length to avoid.

"On this fact and the fact that a piano is always taken good care of, so that depreciation on it during the first few years amounts to little or nothing, the whole installment piano business in this country has been built up. There is nothing experimental about selling pianos on the installment plan. It has been done for a hundred years and it has been proven that the paper which comes into existence as a result of these payments is one of the best forms of commercial paper there is."

Care in Purchasing the Paper.

IN its purchases of paper the Commercial Security Company exercises the utmost care. Paper is bought from dealers scattered all over the country and doing business in all the various makes of pianos, but only such dealers are accommodated as are known to be thoroughly reputable and whose financial strength entitles them to the accommodation. Then, in the next place, the dealer is required to put his endorsement on all paper sold to the Commercial Security Company, beside which it is often the case that the endorsement of the manufacturer of the piano goes on it as well. Finally, the dealer is required to designate someone in his employ who is authorized to receive the installment payments as they are made, and this employee is required to put up a fidelity bond that he will promptly remit the collections as they are made. It is only the best of an exceedingly high class of secured commercial paper that the Commercial Security Company buys and the paper is bought under extremely rigid restrictions.

How the Bonds are Issued.

THE commercial paper, having been bought by the Commercial Security Company from the dealers, is then assorted, classified and made up into budgets of $125,000 each. These budgets, made up of paper coming from dealers scattered all over the country so that the element of risk is practically eliminated, are then trusteed either in the Astor Trust Company, in New York, or the Central Trust Company in Chicago. Against the paper so trusteed the Commercial

Security Company then issues its own bonds—$100,000 of bonds against $125,000 of paper held by the trustee. Each lot of $100,000 of bonds is divided up into ten series of $10,000 each, $10,000 coming due in three months, $10,000 coming due in six months, and so on up to thirty months (two and one-half years).

The installment payments on the $125,000 of paper which are made during the first three months take care of the first series of $10,000 of bonds maturing at the end of that period, and so on until all the paper held by the trust company has been paid off and the money provided to pay off the whole amount of Commercial Security Company bonds.

An Expert's Opinion.

ASKED to give a general idea of the security behind the bonds issued by the Commercial Security Company in its effort to popularize commercial paper, a leader in the movement in this direction said:

"The underlying idea of the whole thing is to make the best of commercial paper available to the general investor who wants to invest his money for a short time, in an absolutely safe way, and so as to get as high a rate of interest as possible. Realizing that the individual investor is hardly ready to buy the commercial paper itself, the Commercial Security Company has worked out a plan, which has been in operation for six years and has met with the greatest success, by which the investor can invest his money on the security of commercial paper in convenient amounts and for such length of time as he sees fit. The idea is that this concern buys the highest grade of commercial paper available and issues its own bonds against this paper.

"The security back of these bonds is four-fold—the merchandise itself, the endorsement of the dealer or manufacturer or both, the credit insurance which the company carries on all its purchases of commercial paper, and the assets of the company itself which, I understand, has a cash capital and surplus of well in excess of one million dollars.

"I do not see how there can be anything better in the way of commercial paper than the kind purchased by this company. At least one-fifth of the purchase price of the piano must have been paid in in cash before the company will buy the paper, which, of course, means that the cash value of the piano is at least that much greater than the amount of paper issued against it. It is my understanding, further, that the Commercial Security Company issues its bonds to the extent of only eighty per cent. of the eighty per cent. left unpaid, bringing the amount of bonds actually sold down to only about sixty per cent. of the actual value of the merchandise. When you come to figure that a piano is not something that depreciates rapidly in value, but is practically as good as new for a long time after it is bought, it is plain that the merchandise itself in this case is collateral of a very substantial sort.

"Then, in the second place, on all the paper purchased by this concern there has got to be the endorsement of the dealer and in many cases there is the endorsement of the manufacturer as well. That means that all the paper back of this company's bonds is 'two-name' paper, and that in a good many cases it is 'three-name' paper. Add to that the fact that the Commercial Security Company carries credit insurance to protect it from any possible loss on the paper it buys from dealers, and you can see that the collateral back of the bonds is just about as good as it could possibly be.

"Finally, the entire assets of this company, which is a wealthy concern with a cash capital and surplus of somewhere around a million dollars, are back of the bonds it issues."

Question of Discount.

SKED how it was that the Commercial Security Company could buy paper of such high class at a dis-

count sufficient to allow it to issue its own bonds carrying an interest rate as high as six per cent., this same authority declared that that was simply because most piano paper runs for thirty months, which is a longer time than the local bank is usually willing to discount commercial paper for. By the local banks the excellence of this kind of paper is fully realized, but in most cases the local banker is hardly willing to advance money to the dealer for so long a period. The dealer, therefore, is willing to pay a substantial commission to anyone offering him spot cash for the paper he has taken from his customers.

Several Important Points.

As compared with commercial paper itself, as an investment, the bonds issued by the Commercial Security Company present several important points of advantage. First and foremost, they are not simply the obligation of a single firm or individual, but have back of them the total strength of a large number of firms and individuals. The collateral back of each series of bonds is chosen from dealers scattered throughout the country, so that whatever business depression may hit one part of the country can have but a small effect upon the collateral as a whole. The fact that there is trouble in the cotton belt or perhaps a shortage in one of the major cereal crops does not in the least impair the value of the collateral back of the bonds, especially when it is considered that there is a margin of twenty-five per cent. in the amount of paper trusteed over the amount of bonds issued against it.

In the second place, whereas the buyer of commercial paper has to take such amounts and for such maturities as are available, in the case of these bonds issued gainst commercial paper he can secure exactly the amount he wants and maturing at exactly the time he wants. Each hundred-thousand-dollar lot of bonds, as has been said, is divided up into ten series, each series coming due three months apart. The buyer, in order to invest his money for exactly the length of time he desires, has simply to designate which maturity he wants. Furthermore, all difficulty and trouble in the way of collection is taken off his hands, this being attended to by the Commercial Security Company. That concern, it is understood, keeps a number of men travelling around the country, checking up the paper it holds and the business standing of the firms which have issued it. Also the payment of interest is made extremely easy, the bonds being in coupon form, and the coupons being payable at the office of the trustee bank.

A further advantage possessed by the bonds over almost any other kind of security ever offered the public, is that the collateral is self-liquefying. In the case of a railroad mortgage bond, for instance, however good the collateral behind the bonds may be, if there is any trouble the holder of the bonds in order to get back his money has to see that the collateral is sold. In other words, the actual money value of most bonds depends upon the current market for the collateral back of them. Not so in the case of the Commercial Security Company sixes. There can never be any question of having to find a market for the commercial paper back of them. The payments come in to the trustee and automatically the collateral turns into money. At the end of thirty months the metamorphosis is complete and the entire amount of the collateral *is* money.

Still another feature sure to commend the bond to the investor is that it is in reality a combination short-term and long-term investment. Every two-and-a-half years every bond issued by the company is paid off, but the investor who wants to continue his investment has simply to cash in his bonds and ask that others be issued in their place. The investment, at six per cent., can thus be continued for an indefinite number of years. At the same time the man who holds the

bonds is never tied up. What he is getting in reality is a long-term investment with all the advantages of a short-term investment.

The Campaign Begun at an Auspicious Time.

THERE seems little doubt that the campaign to educate the public to the advantages of investment in commercial paper has been launched at a most auspicious time. It is perfectly true that a good many issues of long-term bonds are selling at attractive prices, but in the mind of the general investment public there seems to be a good deal of question as to whether prices may not go lower yet. There seems, indeed, to be a very general realization of the fact that the destruction of capital incident to the European war inevitably means a raising of the rate of interest on investments—which means that a good many long-term bonds, cheap as they seem at present, are not so cheap after all. A bond maturing thirty or forty years or more from now can drop a good many points in price without the actual rate of income being raised by more than perhaps one or one-and-one-half per cent.

Furthermore, there is all the possibility of enforced liquidation in American bonds coming from the other side of the ocean as a result of the war. How great this liquidation will be it is impossible to tell, but until at least an intelligent estimate can be made of the extent to which the foreigners will want to sell in this market, a good many investors will hardly feel like tying up their money in long-term securities—on however apparently attractive a basis they may be offered.

Putting Idle Capital to Work.

THE result is that there is a very large amount of capital uninvested at the present time and drawing a comparatively low rate of interest. If the owner puts it in the bank all he can expect to get on it is two or three per cent. interest. If he puts it into one of the short-term bonds issued by the railroads or great industrial corporations, he gets a maximum of four and one-half per cent. to five per cent. on it and has to stand the risk of the market fluctuations which are all the time taking place. The short-term bonds issued by the Commercial Security Company ought, therefore, to interest him particularly. They yield full six per cent. interest and yet hold money in as liquid a form as it can possibly be held. For the man awaiting an opportunity for permanent investment they are exactly the thing.

Another big market for the bonds should be among business houses which have capital not being used in the business. One effect of the current business depression has been to throw large amounts of business capital "out of a job" and to face its owners with the problem of keeping it on hand and still making it earn the highest possible rate of interest. To keep funds of this kind where they are available at short notice and still earn a satisfactory rate of interest is no easy investment proposition. It looks as though for this purpose business men would find the Commercial Security Company sixes highly suitable.

An Educational Campaign.

FOR the furtherance of its educational campaign the Commercial Security Company has opened handsome offices at 437 Fifth avenue, New York. A national advertising campaign is being gotten under way in the newspapers and magazines. To make the public appreciate the value of commercial paper and of bonds based on commercial paper as an investment, the company realizes that a large amount of educational work must be done. The new office has, therefore, been organized with that end in view and is not only prepared to furnish full information to any inquirer, but to send out valuable literature on the subject of investment in general. Some

of the subjects treated in the booklets sent out by the company on request are "Short-Term vs. Long-Term Investment," "Commercial Paper as an Investment," and "The Idle Funds of the Business House." Any or all of this series can be had by dropping a line to the Commercial Security Company, 437 Fifth avenue, New York city.

The new work is in charge of Franklin Escher, well known in banking and investment circles and as a writer on finance.

For Treasurer American Bankers Association

AT the convention to be held at Seattle next fall, the name of Mr. N. P. Gatling will be presented for treasurer.

Mr. Gatling, who is now assistant cashier of the Chatham and Phenix National Bank of New York, was for many years the popular secretary of the Virginia Bankers Association. He has been an attendant at the conventions of the American Bankers Associations for the last fourteen years, and is widely known and deservedly popular.

As the treasurership has not been given to New York for some years, Mr, Gatling's election seems probable. His qualifications for the place are unquestionable.

NORBORNE P. GATLING

Executive Council American Bankers Association

THE spring meeting of the council will be held at the Hotel Chamberlin, Old Point Comfort, May 3-5.

A Sure, Established Place

THIS Republic is the Mount Ararat of a universe overwhelmed by a deluge of blood, of confusion and raging strife, of wild desolation. This is the one sure, established place where hope is springing, instead of being destroyed. —*John Skelton Williams.*

New Counterfeit $5 National Bank Note on the National Park Bank of New York

SERIES 1902-1908; check letter "R"; charter number 891; bank number 216818; Treasury number T410970A; J. W. Lyons, Register of the Treasury; Ellis H. Roberts, Treasurer of the United States; portrait of Benjamin Harrison.

This counterfeit is apparently printed from zinc-etched plates on paper of fair quality, without silk threads or any imitation of them. It is such a poor counterfeit that a more detailed description of it is deemed unnecessary.

The Bank of Nova Scotia

Metropolitan Bank Absorbed by the Third Oldest Bank in Canada, Which Now Becomes Fourth in Size with Assets of $94,000,000

BY the merging of the Metropolitan Bank with the Bank of Nova Scotia, a banking organization which now ranks fourth among the chartered banks of the Dominion has been effected. The paid-up capital of the Bank of Nova Scotia is $6,000,000 and the reserve fund is $11,000,000. The paid-up capital of the Metropolitan is $1,000,000 and the reserve fund is $1,250,000. The combination of these banks reduces the number of chartered banks to twenty-three, and makes Toronto the home of two of the largest of the banks. With this amalgamation completed, the standing of the large banks in the matter of resources will be as follows:

	Capital	Reserve	Total Assets
Bank of Montreal	$16,000,000	$16,000,000	$259,337,566
Canadian Bank of Commerce	15,000,000	13,500,000	250,831,821
Royal Bank of Canada	11,560,000	12,560,000	181,806,437
Bank of Nova Scotia (includ. Metropolitan)	6,500,000	11,900,000	94,326,382
Imperial Bank of Canada	7,000,000	7,000,000	85,812,464
Merchants Bank of Canada	7,000,000	7,000,000	84,635,924
Dominion Bank of Canada	5,998,570	6,998,570	77,701,350
Union Bank of Canada	5,000,000	3,400,000	86,290,973

The total deposits of the combined banks now aggregate $66,366,135 and the total assets $94,326,382. Their net profits in 1913 amounted to $1,892,662. The notes of both banks in circulation amounted to $7,443,825, and loans $62,426,348.

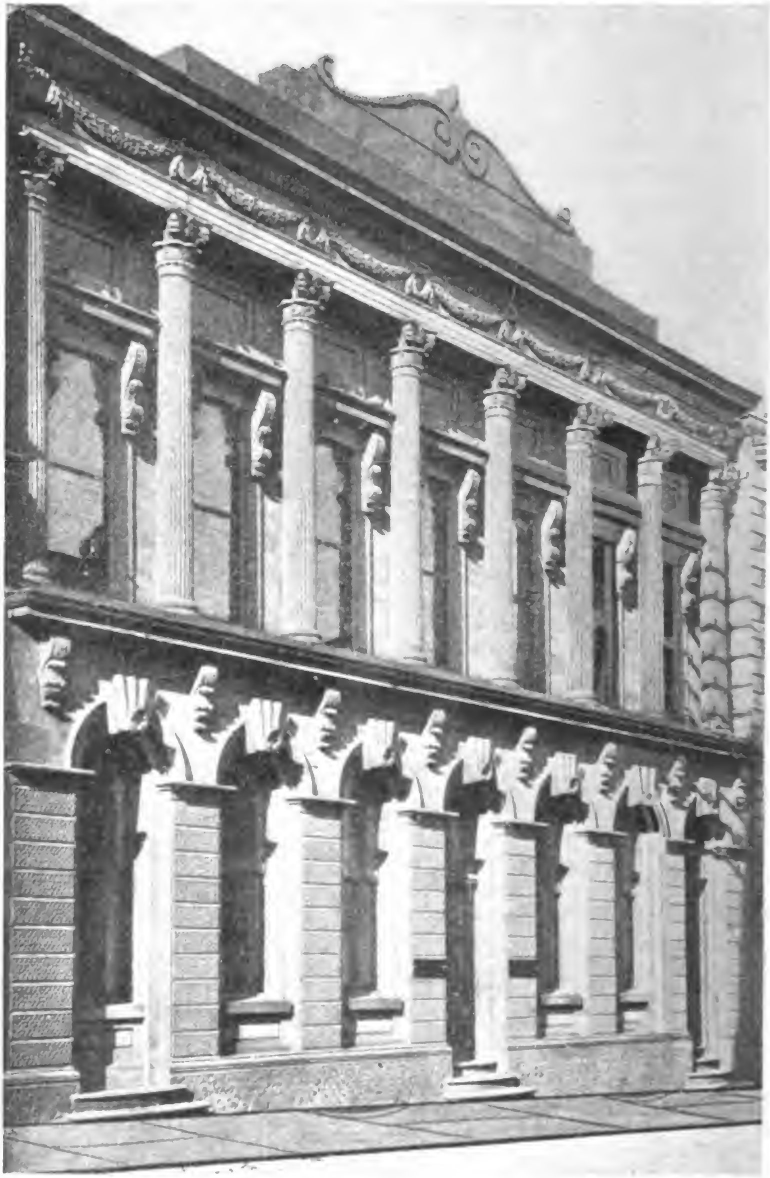
These compare with six other leading Canadian banks as follows:

	Notes in Circulation	Deposits	Loans
Bank of Montreal	$17,097,412	$202,269,434	$171,102,520
Canadian Bank of Commerce	15,608,881	200,819,202	178,447,509
Royal Bank of Canada	14,030,419	136,097,461	118,037,546
Imperial Bank of Canada	6,304,612	63,393,435	52,431,528
Merchants Bank of Canada	6,929,359	62,126,397	55,883,522
Dominion Bank of Canada	5,188,951	57,859,082	53,802,561
Union Bank of Canada	7,129,069	65,439,607	63,684,463

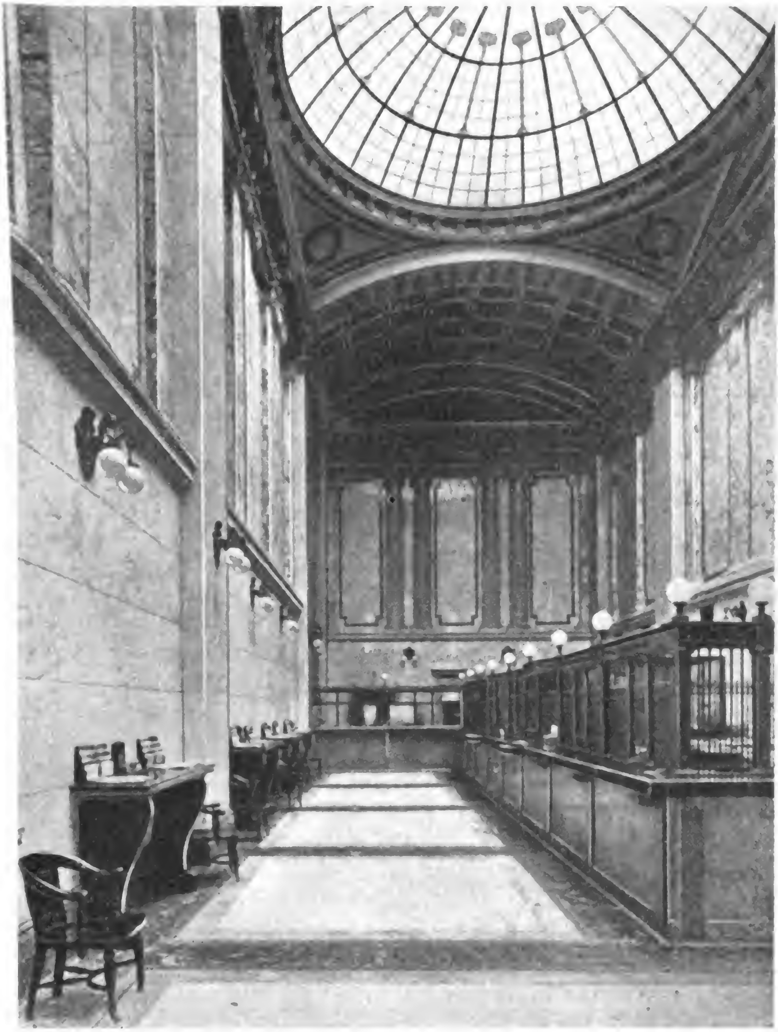
TERMS OF THE MERGER

THE terms under which the Metropolitan Bank becomes a part of the Nova Scotia are $200 in cash and one share of the Bank of Nova Scotia stock for each two shares of the Metropolitan Bank. As an institution the Metropolitan Bank receives $1,000,000 in cash and 5,000 shares of the Bank of Nova Scotia stock.

For several years reports have been current in financial circles that the Bank of Nova Scotia intended to expand its business and the names of several other banking institutions were mentioned in connection with a possible amalgamation. One of the principal difficulties in the way of making



HEAD OFFICE,
THE BANK OF NOVA SCOTIA, HALIFAX



TORONTO OFFICE
THE BANK OF NOVA SCOTIA

extensions through the establishment of new branches is the ever-increasing cost and the obstacles of perfecting small organizations and making them part of a general scheme. The acquisition of the Metropolitan gives the Bank of Nova Scotia considerable new territory, but, unlike the Royal-Traders merger, it will not disturb the standing of either Montreal or Toronto as banking centres.

Mr. S. Moore, president of the Metropolitan Bank, and Mr. W. D. Ross, the general manager, will join the board of the Bank of Nova Scotia, and the members of the staff of the Metropolitan enter the service of the Bank of Nova Scotia and obtain standing in the combined pension fund.

The last purchase by the Bank of Nova Scotia was the Bank of New Brunswick, and in taking over the Metropolitan it is following the course established by the Bank of Commerce in taking over the Eastern Townships Bank and the Royal Bank in taking over the Traders. It is known that several large banks have opened nego-

WINNIPEG OFFICE
THE BANK OF NOVA SCOTIA

tiations with the Metropolitan with a view to absorption during the past few years, but in each case the directors of the Metropolitan have refused to consider any offers. The relations between the Bank of Nova Scotia and the Metropolitan Bank have become quite intimate during the past few years, however, and the absorption was in some circles regarded as a natural sequence.

The merger provides an establishment for the Bank of Nova Scotia of 190 branches scattered throughout every province of the Dominion and Newfoundland, together with eight branches in Jamaica, two in Cuba, and one in Porto Rico, as well as **Boston,** Chicago and New York.

BRIEF HISTORY OF THE BANK OF NOVA SCOTIA

FROM the fact that this is the third oldest of the existing chartered banks of Canada, and that it is now the fourth largest bank, a glimpse of its history will be of general interest.

It would not appear from the present exceptionally sound and prime position of the Bank of Nova Scotia that it had passed through many vicissitudes

and difficulties. Yet a review of its history discloses many interesting episodes that occurred, many perils that were safely overcome and many difficulties that were solved. The Bank of Nova Scotia is the third oldest of the existing chartered banks—the Bank of Montreal, founded in 1817, being the senior, and the Quebec Bank, established in 1818, the second. There was also another existing institution in 1882, the Halifax Banking Company, inaugurated in 1825 as a private corporation, and not incorporated until 1872, and finally absorbed by the Bank of Commerce in 1903.

It was this institution which played a prominent rôle in the early banking days of Nova Scotia. Its directors occupied in that Province almost a similar position to the Family Compact in Ontario. In fact, His Majesty's Council of Nova Scotia appears to have differed very slightly from the Board of the Halifax Banking Company. The proposal to establish a second bank in Halifax naturally gave rise to much opposition in influential quarters. As the Halifax Banking Company was a private affair, the limitation of the liability sought by the new institution was in those days a sufficiently novel proposition to afford food for argument.

However, under the stress of popular opinion the act of incorporation was passed March, 1832, and the Bank of Nova Scotia opened for business on August 10 of the same year, with a paid-up capital of £50,000, the first president being William Lawson and the first cashier James Forman.

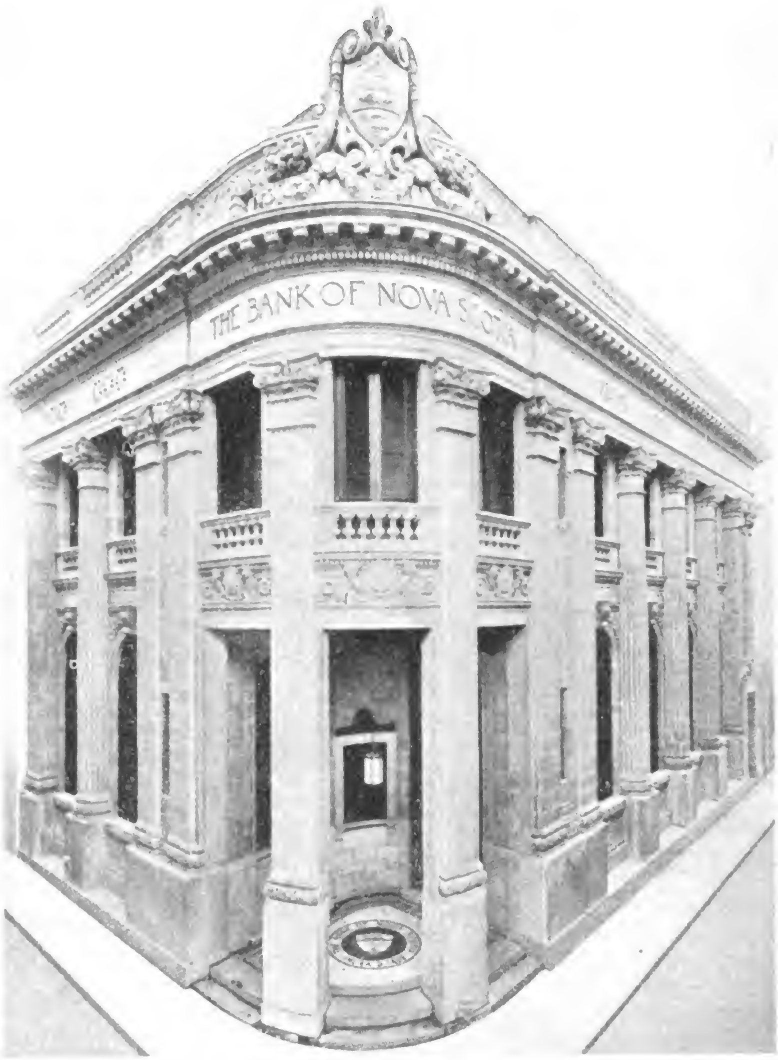
After the fight over the charter it was to be expected that the Halifax Banking Company would put every difficulty in the way of the new institution, particularly when the former refused to redeem its own notes with specie, but offered the much-discounted Treasury Bills of the Province which were for a long period a thorn in the side of Nova Scotia bankers. In spite of such difficulties the Bank of Nova Scotia prospered from the outset. It made a profit the first year, and with a capital of £50,000 had out £56,029 on discounted notes. It paid a dividend of three per cent. for the first half of its second year. In passing, it is interesting to observe that in 1834 the bank had notes in circulation to the extent of £68,201 as against a capital of £50,000.

In 1837 the bank opened its first branch at Windsor. In that year the Bank of British North America opened

THE BANK OF NOVA SCOTIA
ST. JOHN, NEW BRUNSWICK, PRINCE WILLIAM STREET BRANCH

an agency in Halifax and the competition was felt. For the first ten years the Bank of Nova Scotia divided profits at the rate of eight per cent., but after that its profits rarely exceeded six per cent. In the year 1837 specie payments were suspended for several months, following the example of banks in the United States and other parts of Canada, and in the same year Hon. M. B. Almon was appointed president in place of Mr. Lawson, who resigned.

By 1839 all the balance of the subscribed capital of £100,000 was called up and an increase to £200,000 was authorized. In this year four agencies were opened, one at Pictou, one at Yarmouth, one at Annapolis and one at Liverpool. Windsor was closed in 1851, Liverpool in 1852, to be reopened in 1879, and Annapolis in 1853, to be reopened in 1876. There is little new in banking practice, and we find fifty-six years later banks still



HAVANA (CUBA) OFFICE
THE BANK OF NOVA SCOTIA

closing branches that may have been opened up at unprofitable points.

THE FORMAN DEFALCATION

IN the "forties" the bank settled down to a commonplace existence. Its capital remained at £140,000, which amount it had reached in 1841, and its business grew only slightly. In 1870 the directors discovered that their old and valued cashier, James Forman, who had held that post from the bank's inception, had abstracted approximately $315,000. The property turned over to the bank by Mr. Forman realized nearly $100,000. The result was that the reserve fund of $80,000 was wiped out, the earnings of the first half of 1870 were absorbed, and the capital stock was impaired by $27,671. There

was, therefore, written off the capital ten per cent. As a result of the exposures Forman's health broke down. He was never prosecuted, but moved to London, where he died a short time afterward. The president, Hon. M. B. Almon, who had relied on the cashier, resigned, and was succeeded by James Donaldson for a year and then by John Doull. W. C. Menzies of the Bank of British North America was appointed cashier.

QUICK RECOVERY AND GROWTH

THE Bank of Nova Scotia soon regained the lost ground, and in 1873 the capital was restored to its former figure of $560,000, old Nova Scotia currency, and the public confidence had so far returned that the capital was increased in that year to $750,000 and a public sale of shares brought an average of $242 for every share of $200 par value.

In 1875, owing to failing health, Mr. Menzies resigned as cashier and was succeeded by Mr. Thomas Fyshe, who began a thorough systematizing of the bank's growing business. It withstood the general depression caused by the collapse of the wooden shipbuilding industry which had principally brought the Maritime Provinces before the world, and was one of the three Maritime banks which were able to continue dividends.

In 1882 Mr. J. B. Forgan, now president of the First National Bank in Chicago, was appointed inspector. Since 1880 the bank has had a record of continuous growth. It is indicative of its enterprise that in the next ten years it opened branches in Winnipeg, Minneapolis, Montreal, Kingston (Jamaica), and Chicago as well as local points. The financial growth of the institution was interrupted slightly in 1884 by large losses which had been made in the Northwest, and the sum of $130,000 was written off the reserve fund, the net profits showing a deficiency of $46,006; but the dividends were not impaired as the bank in the three previous years had made large earnings; in 1882, $154,962—at that time a record.

In 1897 Mr. Thomas Fyshe resigned to accept the position of joint general manager of the Merchants' Bank of Canada, and Mr. Henry C. McLeod, who had for ten years represented the bank in Minneapolis and Chicago, was appointed cashier. Two years later the bank made a new record in its net profits, which amounted to $291,032, and the reserve fund, which had been increasing every year, reached in 1890 the handsome amount of $700,000, compared with a capital of $1,114,300.

In 1900 the general manager's office was removed to Toronto.

Mr. McLeod was a strenuous advocate of the outside audit of Canadian banks; since 1906 the Bank of Nova Scotia's annual statements have been accompanied by the certificates of well-known chartered accountants. In the Bank Act of June, 1913, bank audit was provided for.

THE PRESENT MANAGEMENT

THE present general manager, Mr. H. A. Richardson, who succeeded Mr. McLeod in February, 1910, entered the bank's service in 1879, and had been manager of the Toronto branch since 1900. The assistant general manager, Mr. Daniel Waters, entered the service in the same month as did Mr. Richardson, was appointed inspector in 1892, superintendent of branches in 1902, and was given his present position in January, 1906.

THE Bank of Nova Scotia has absorbed three other banks, the Union Bank of Prince Edward Island in 1883, a small bank with head office in Charlottetown, and branches in Summer-

side and Montague, the Bank of New Brunswick in February, 1913, an establishment dating from 1820—older than the Bank of Nova Scotia—and possessing thirty-three branches and total resources of about $13,000,000; and lastly, the Metropolitan Bank.

A RECORD OF GROWTH

THERE follow some statistics showing the sure and steady growth in the principal items in the annual balance-sheets of the Bank of Nova Scotia.

	Capital	Reserve Fund	Deposits	Total Resources
1870	$560,000	$80,000	$998,625	$2,029,516
1880	1,000,000	275,000	2,264,260	4,344,057
1890	1,114,300	700,000	5,621,380	8,925,857
1900	1,860,000	2,418,000	15,998,932	22,552,997
1905	2,500,000	4,200,000	23,658,515	33,438,776
1910	3,000,000	5,650,000	41,072,285	53,506,980
1913	6,000,000	11,000,000	56,592,773	80,151,829

PRESIDENTS

1832-1837—William Lawson
1837-1870—Hon. M. B. Almon
1870-1871—James Donaldson
1871- —John Doull
1872-1874—Andrew M. Uniacke
1874-1889—John S. Maclean
1889-1899—John Doull
1899- —Jairus Hart
1899- —John Y. Payzant

THE BANK OF NOVA SCOTIA, KINGSTON, JAMAICA

HARRY E. WARD

FIRST VICE-PRESIDENT IRVING NATIONAL BANK
NEW YORK

HARRY E. WARD, cashier of the Irving National Bank, was promoted to the first vice-presidency of that institution at a recent regular meeting of the board of directors. Mr. Ward was a Yale graduate of the class of 1901 and went to the Irving National in that year and became assistant cashier in 1907. Three year's later he was elected cashier.

Mr. Ward's successor as cashier is J. F. Bouker, assistant cashier since 1910.

David H. G. Penny, assistant cashier and manager of the foreign exchange department, was promoted to the vice-presidency.

Book Reviews

Trust Companies of the United States. New York: Compiled and published by the United States Mortgage and Trust Company.

MUCH valuable information is included in this volume in addition to the regular statements of the various trust companies.

As indicating the growth of trust companies the total resources reported June 30, 1908, were $3,917,442,000, and on June 30, 1914, the total resources of companies reporting were $5,924,979,000, which is more than one-half or the combined resources of $11,482,190,000 reported by the national banks of the United States on June 30, 1914.

In the preface, President John W. Platten says: "The substantial increase of nearly four hundred and fifty million dollars, shown in trust company resources, as compared with the figures of a year ago, together with the larger number of companies recorded, is an impressive reminder that the scope of useful activity occupied by these institutions is continually broadening and enlarging."

Considerable attention has been given by banking associations and legislative bodies during the past year to a revision of the various State laws governing the operation of financial institutions within their respective jurisdictions. This in turn has led to more general recognition of the desirability of bringing trust company legislation, so far as might be found expedient and practicable, into line with the laws now governing those institutions whose operations are subject to the provisions of the Federal Reserve Act. By this means it is hoped that progress may be made toward insuring that greater degree of harmony and more effective concert of action between State and national institutions so necessary to the advancement of both and to the fullest development of the nation's resources and commerce.

This annual compilation of the trust companies of the United States, of which this is the twelfth number, is a most valuable reference-book relating to these institutions, and the United States Mortgage and Trust Company renders an important service in its preparation and publication.

Modern Business Routine (Volume II, the Export Trade). By R. S. Osborne, F. S. S. London: Effingham Wilson.

THIS volume follows the previous one on "Home Trade," and is devoted entirely to the theory and practice of foreign and colonial trade. After dealing with commerce from an economic standpoint, foreign trading is described in detail and the various documents arising are explained and exemplified, illustrations of actual shipments of goods being given. Care has been taken to include only modern methods and to see that the documents have been accurately compiled.

To American readers a work of this kind is especially opportune, for under the pressure of circumstances greater attention is being given to foreign trade than ever before. A practical work of this character will be found very helpful in mastering the routine transactions of foreign commerce.

History of Mexico. By Hubert Howe Bancroft. (pp. 581. Price $2.00 net.) New York: The Bancroft Company.

IF the turbulent conditions that have prevailed in Mexico almost uninterruptedly since the downfall of the

Diaz Government should be succeeded by an era of assured peace in the immediate future, American tourist travel, shut off from Europe, would no doubt largely turn in that direction, for few countries in the world are more interesting than Mexico—a trifle too interesting just now.

Mexican history begins at least three or four centuries prior to the white settlement of the other portion of the North American continent, and back of that there stretches a long record embodying history, tradition and fable in about equal proportion, but with enough authentic information to establish the great antiquity of Mexican civilization.

This early era, the Spanish conquest, the vice-regal rule, the struggle for independence, the contentions of factions, the long peaceful epoch under Diaz and the tragic story of these later days—all these stirring events are chronicled fully and with absorbing interest in this volume, which reads more like romance than history, so strange is the tale.

The American who wishes an intelligent grasp of Mexican affairs will find in Mr. Bancroft's fascinating history the information he seeks. Those who contemplate a visit to the neighboring Republic when conditions are more normal will find the reading of this instructive volume an excellent preparative for the trip. Finally, for those who have lived among this strangely interesting people, who have pondered over their origin, and who have examined the curious monuments of antiquity to be found, the mysterious spell of Mexico will be delightfully revived in these pages.

Mr. Bancroft unsparingly condemns our attitude toward Mexico from the war of 1846-1848 to the policy of "watchful waiting."

When Wars Cease

A DAY will come when the only battle-field will be the market open to commerce and the mind opening to new ideas. A day will come when bombshells will be replaced by votes, by the universal suffrage of nations, by the venerable arbitration of a great sovereign senate, which will be to Europe what the Parliament is to England, what the Diet is to Germany, what the Legislative Assembly is to France. A day will come when a cannon will be exhibited in public museums, just as an instrument of torture is now, and people will be astonished how such a thing could have been. A day will come when these two immense groups, the United States of America and the United States of Europe, shall be seen placed in presence of each other, extending the hand of fellowship across the ocean.

—*Victor Hugo,* 1877.

New Bank Bills for Colombia

THE Colombian Government has recently signed a contract with an American bank-note company for printing 8,500,000 bills of one peso, 1,000,000 of two pesos, 300,000 of five pesos and 200,000 of ten pesos for the purpose of replacing and converting into gold the old bills now in circulation. The new bills are to bear the following inscription: "The Republic of Colombia will pay to bearer the sum of —— pesos in gold in accordance with law," etc.

Modern Financial Institutions and Their Equipment

ENTRANCE TO GRAND FOYER AND MAIN BANKING ROOM

The Marine National Bank of Buffalo, N. Y.

THE towering structure which the Marine National Bank of Buffalo has completed, and whose splendid banking quarters this institution now occupies, fittingly typifies both the growth of the bank and the city in whose commercial life it has had such an important share throughout a period extending over sixty-four years. It may be truthfully said that not only has the bank kept pace with the growth of Buffalo, but that it has grown even more rapidly. For although in population, commerce and manufacturing the city has experienced far beyond the average rate of growth since 1850—the year the bank was founded—the Marine National Bank has added to its business to an extent which would give it an important position among the banks in cities like New York, Chicago and Boston. Indeed there are no commercial banks outside these large centers whose total resources exceed the $65,000,000 reported by the Marine National Bank.

To grow as fast as its own community is highly creditable to any bank, but to far exceed this normal rate of increase indicates exceptional qualities of management and of strength. This has been the achievement of the Marine National Bank of Buffalo.

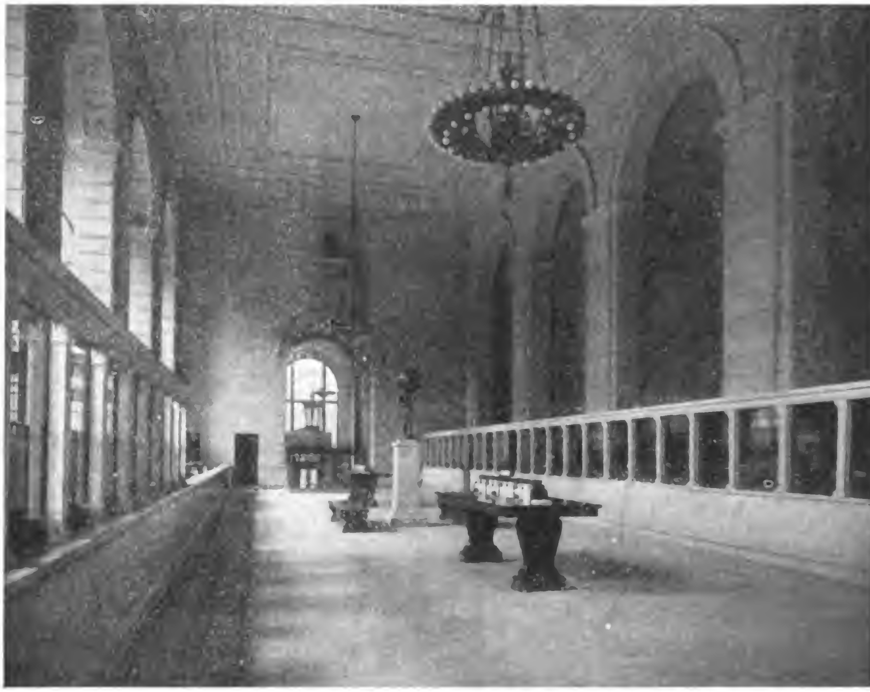
Before giving a brief description of the magnificent new building illustrated herewith, mention of the bank's long and successful history may appropriately be made.

AS A STATE BANK

FOR a long time prior to the beginning of the national banking system the State of New York had an excellent system of State banking (as it has yet), whose operations were so successful that its experiences and the law itself were depended upon largely in framing the National Banking Act. It is an interesting coincidence that the original draft of that act was prepared by a Buffalo banker—Hon. Ellbridge G. Spaulding.

The Marine Bank opened as a State institution August 15, 1850, and is now the oldest surviving bank of deposit and discount in Buffalo. In less than ten years after the bank was started, a terrible panic swept over the country, but even at that early age the Marine Bank had acquired sufficient strength

THE MARINE NATIONAL BANK, BUFFALO, N. Y.



GENERAL VIEW OF MAIN BANKING ROOM LOOKING TOWARD FRONT ENTRANCE

PARTIAL VIEW OF MAIN BANKING ROOM FROM ENTRANCE—OFFICERS' QUARTERS ON RIGHT

THE MARINE NATIONAL BANK, BUFFALO, N. Y.

to withstand such a shock, and it came through unharmed, just as it has done in all the successive financial reverses that have occurred in the long interval since then.

Even in those early days Buffalo was an important grain center, and by making advances on grain and merchandise the bank helped to promote the city's prosperity and to build up the commerce of the port to its present large proportions.

During its fifty-two years as a State bank this institution carefully laid the foundations and developed the policies which were to prove a source of unfailing strength in the still greater era of prosperity that has since dawned.

ENTERS THE NATIONAL SYSTEM

SINCE the bank had been so successful under the charter granted by the State of New York, the shareholders did not for a long time decide upon entering the national banking system. But in 1902 they decided that such a change would be advantageous, and accordingly the Marine Bank became the Marine National Bank.

Prior to this change, in 1897, the business of the American Exchange Bank was absorbed, and in the same year in which the national charter was granted the Buffalo Commercial Bank was merged. These two consolidations materially added to the resources and prestige gained by the Marine during its long career, and this advantage became very much greater when in December, 1913, the Columbia National Bank was taken over.

These several mergers gave the Marine National Bank wider relations to the business community, increased the number of accounts, and greatly augmented deposits and resources. In combination with the growth of business in the usual way they have placed the bank in a most enviable position as to size and strength, immensely increasing the bank's power to aid in the development of production and trade in the territory tributary to Buffalo.

THE FOYER
THE MARINE NATIONAL BANK, BUFFALO, N. Y.

THE BANK'S POSITION

NOT only with respect to size does the position of the Marine National Bank command attention. Its capital of $5,000,000, surplus of $4,000,000, and undivided profits of over $750,000 reveal a conservative

character in the management in which as great a pride may be taken as in the $65,000,000 of total resources, for these items point to the fact that the management has decided not merely that the bank shall be big, but that it shall be safe at the same time.

Prior to July 28, 1914, the surplus was $1,000,000 more than is stated above. On that date a special dividend of twenty per cent. was declared from surplus account for capital stock in the Bankers Trust Company of Buffalo, which began business on August 10, 1914.

Besides building up this large surplus and undivided profits fund the bank pays dividends at the rate of sixteen per cent. a year.

THE NEW BUILDING

FROM the modest building at 79 Main street in the Webster Block, where the bank began business in 1850, an advance has been gradually made to the great modern structure illustrated in these pages. In 1860 the bank moved from its first location to 112 Main street, and in 1880 purchased the premises at 220 Main street. Ten years later the Hayen Building at the southwest corner of Main and Seneca streets was bought, and in 1901 this building and that at 220 Main street were connected. Many improvements and alterations were made at this time as well as subsequently in 1907. On the first of May, 1912, work was begun on the present building, which is now completed and occupied.

Upon a bed-rock foundation this structure of Maine granite, steel, brick and terra cotta rises to a height of 233 feet, besides having a basement and sub-basement. It covers the entire building lot, eighty feet on Main street, 200 feet on Seneca, and eighty feet on Washington.

On Main street there are three entrances, on Seneca street two and

PRESIDENT'S OFFICE
THE MARINE NATIONAL BANK, BUFFALO, N. Y.

on Washington a freight entrance.

The central entrance, through a foyer twenty feet wide by sixty feet long, leads directly to the great banking room, which is exceeded in size and magnificence by few banks in the country. It occupies the entire main floor, seventy feet wide and one hundred and forty-eight feet long. The banking room is forty-five feet from floor to ceiling. Great steel trusses span this space to sustain the fourteen office floors above.

In its construction this building embodies all that is latest and best in modern bank and commercial architecture. It has a steel frame and not a particle of wood enters into its construction. It is absolutely protected from fire by fireproof material; its doors and window frames are of metal and its floors fireproof.

The marble wainscoting of the commodious corridors insures perfect sanitary conditions.

The water supply is cooled by refrigeration after being thoroughly filtered by passing through a filter fountain with which each floor is provided.

Heating and ventilation are provided by the most modern equipment obtainable. A vacuum cleaning system is installed on every floor, and a complete fire alarm system is directly connected with the city department.

Seven electric traction elevators, with fireproof partitions and wire glass doors and equipped with automatic safety devices, make the elevator transportation the best in the city.

OFFICERS' CONSULTATION ROOM
THE MARINE NATIONAL BANK, BUFFALO, N. Y.

One of the most attractive features of this great office building is the meeting room on the ninth floor, which is furnished free to the renters of the offices.

Besides this audience room, the building is equipped with every convenience, telephones, rest rooms and barber shop.

Not only are the banking quarters of exceptional size and beauty, but they

OFFICERS' QUARTERS

DIRECTORS' ROOM

THE MARINE NATIONAL BANK, BUFFALO, N. Y.

SAFE DEPOSIT RECEPTION ROOM
THE MARINE NATIONAL BANK, BUFFALO, N. Y.

are perfectly suited to the use intended—the rendering of the best possible banking service to the people, adequate provision being made for the convenience of those who deal with the bank and for those who as officers and employees do its work.

Every department is arranged with a view to attractiveness, safety and efficiency, and the building as an entirety is certainly a credit to those who planned it—the late Stephen M. Clement, Hugh Kennedy, Edmund Hayes and William H. Hotchkiss, comprising the building committee.

Especial mention should be made of the safe-deposit department, which in all respects save size has been declared to surpass everything attempted in this country. It occupies over half of the first basement floor. The safe-deposit vault itself is of Carnegie armor plate, three and one-quarter inches thick, standing on a monolith of reinforced concrete, surrounded by two feet of reinforced concrete on the sides and top, with two solid forged vestibule doors, each twelve and ten inches thick.

THE MANAGEMENT

IN the long history of this bank, its successful resistance of the panics that have visited the country in the last sixty-four years; in the huge total resources, and the large accumulation of surplus and undivided profits; in the profits earned and paid to stockholders; and in the great modern structure herein described and illustrated—in all these unmistakable signs of safety, prosperity and success, one may read infallibly the character of the management controlling and shaping the fortunes of this institution. These facts speak in no uncertain language of the kind of men who have ruled the bank in the past and who rule it now, and no mere words can

INTERIOR SAFE DEPOSIT VAULTS

VAULT DOOR

THE MARINE NATIONAL BANK, BUFFALO, N. Y.

add to the convincing nature of the record itself.

In the bank's long existence it has been officered by men eminent in commerce, industry and banking, who have established the sound traditions upon which the bank's prosperity rests. These traditions will be maintained; and while progress will be the watchword, it will always be safe progress.

The present officers of the Marine National Bank are: S. H. Knox, chairman of the board; George F. Rand, president; J. H. Lascelles and Henry J. Auer, vice-presidents; Norman P. Clement, cashier; Emil Diffine, Merle H. Denison, Percy W. Darby, Joseph G. Fischer and Eugene L. Reed, assistant cashiers.

The Marine National Bank has grown to its present proportions by reason of adequate banking service. Its large capital funds and resources, the new building thoroughly adapted to every requirement, and the character of the management are all such as to make it possible to render more complete service than ever before.

Bankers as Ministers of the Public Welfare

GRADUALLY the true relation which the banker sustains toward the public welfare is becoming better understood. In an address delivered at the Richmond convention of the American Bankers Association, President Edward K. Graham of the University of North Carolina, touched on this matter. He said:

"Business is business; but it is also life—an essential part of the life of the individual man and an essential part of the life of the nation. What we are coming to see is that good business, like all other good human activities, has two characteristic marks: It must be a good job in itself and it must be done in accord with the standards of the nation of which it is a part. The first is a question of individual freedom and efficiency, the second is a question of responsibility and relationship. Reconciling their contradictions in a practical standard of Christian democracy is the task of the civilization that we are building. In science, in art, in government, our practice conforms to our theory with sufficient clearness to be recognized by all men. No scientist, no artist, no statesman could fail to hold his genius and his profession in large part as public property. Legitimate government by whomever administered is government administered in the interest of the whole body politic. And this standard is coming to be and will be the practical standard of good business.

"It is a difficult doctrine, but it is the very thing that is happening before our eyes—this saturation of the standards of business and the uses and processes of business with the national standard. Business responsibility, business self-restraint and coöperation, to the man who really sees, are facts far more significant in present America than ruthless selfishness, greed and the survival of the craftiest; and the steady progress we are making in a truly democratic interpretation of business is one of the most significant facts in world history.

"To the question how we achieved the progress we have made, and how we are to achieve the even more difficult tasks ahead, there is no specific answer. It will not be through legis-

lative panaceas swallowed by Congress and the people suddenly made whole. The lash of legislation cures no business ills, though it may seem, as it does elsewhere, to compel attention to the higher law of self-restraint. Enlightened self-interest has played and will continue to play a large part. But it will be through the same slow and difficult process of self-education by which we learned and are learning self-government—through realizing more clearly what we are working for. It is not through restricting the doctrine that business is business, but enlarging it to the view that business is life. We are learning that one may cooperate not only with a single partner, and a group of partners, and a group of thousands of dividend sharers; but with ten thousand workmen and their families, and that we may extend that vision of partnership to the whole community and its wealth, health and happiness. This insight comes not from conversion to altruistic philanthropy, nor from an outburst of emotional patriotism, but through a fuller knowledge of the facts of public welfare, and so to a truer conception of our business concerns and our banking institutions as arteries through which the life of the community flows, and our bank men as public men and ministers of the public welfare as truly as statesmen, teachers or preachers. When we know fully and exactly the economic facts about the public welfare the projecting power of our practical sympathy will be vastly increased."

Foreign Banking and Finance

European

AMERICAN BANK IN MADRID

FROM the American consul at Madrid comes this information respecting the opportunity of establishing an American bank in that city:

One cause of the success of German exporters has been the fact that there is in Madrid a German bank that discounts freely commercial paper sent to it by German exporters; such exporters, therefore, have been accustomed to give credit for ninety days or longer against the purchaser's paper, which could be readily discounted. No American bank or branch exists in Madrid, and this fact militates severely against the extension of trade relations in this district. It is believed that, at this moment, there is sufficient business available to warrant the opening of such a branch; the belief is based upon recent interviews with Madrid importers as a result of a circular letter sent inviting them to call at the consulate to discuss trade conditions in general. Names and addresses of those who would patronize such an institution and the probable amount of their business are in possession of the consulate.

Australasian

AUSTRALASIAN BANKS

IT was fortunate for Australia, says "The Economist," of London, that the war crisis which gathered so suddenly at the beginning of August found the Commonwealth in a strong position to resist the great financial strain. The season of 1913-'14 saw a marked re-

covery of the wool clip after the decline of the previous season, the wheat crop was a record, and the frozen meat trade underwent considerable expansion. Thus the foreign trade returns for 1913-'14 touched new records, exports being over £12,500,000 and imports £4,800,000 higher than in the previous year, the balance turning in favor of Australia to the extent of seven and three-quarters millions sterling.

The year's prosperity is reflected clearly in the accounts of Australian banks. There are now twenty-three banks trading in Australia, excluding the Commonwealth Bank, and of these seventeen have London offices, while four—the Bank of Australasia, the Union Bank of Australia, the London Bank of Australia, and the English, Scottish and Australian Bank—have their head offices in London.

For the year ending on June 30, 1914, the total deposits of banks in Australia rose by nearly £11,000.000, from £143,695,680 to £154,601,935. This corresponds with a decline of £3½ millions recorded a year ago. Of the total deposit increase deposits not bearing interest rose by £7,327,347, and fixed deposits by £3,578,908. At the same time loans were up by £1,713,588 —an increase which compares with a decline of no less than £6,500,000. The coin, bullion and Australian notes held by Australian banks were about £5,100,000 higher than a year previously. Thus the position disclosed at June 30th this year is undoubtedly strong, and the recovery from the previous year's somewhat unsatisfactory results is pronounced. Very similar tendencies are revealed in the accounts of New Zealand banks made up to the same date. Total deposits were higher by £2,300,702, having risen from £26,546,454 to £28,847,156; and this increase was made up by a rise of £779,189 in current accounts and £1,521,513 in interest-bearing deposits. The severity of the loss which the war will impose on British Australasia must not be overlooked; but the requirements for clothing and blankets for the vast armies have caused a heavy demand and high prices.

STATE SAVINGS BANK OF VICTORIA

DURING the year ended June 30 the total amount at credit of depositors in all the branches and agencies increased by £1,815,774, making the total at their credit on June 30, £23,381,696, which includes £114,870 at their credit in savings bank deposit stock.

The number of depositors' accounts also increased during the year by 30,487, making the total remaining number open, 705,029.

The reciprocal system in force between the savings banks of all the States of Australia is largely used by depositors, who have the right to operate on their accounts all over the Commonwealth; thus a Victorian depositor can obtain money on demand in any other State, as well as in any part of Victoria, and visitors to Victoria from any other States have a similar privilege; the sums payable on demand are, of course, limited, but any large sums can be likewise obtained in any part of Australia at short notice.

Arrangements have also been made with the British Government to enable depositors travelling between the United Kingdom and Australia to operate on their accounts in either country. Persons newly arrived from the United Kingdom have found this system very useful, and have availed themselves of it freely. Similar facilities were during the year arranged with New Zealand, and the volume of business shows that this extension is much appreciated.

Latin-America

BRANCH BANK OPENED

ON November 10 a branch of the National City Bank of New York was opened at Buenos Aires, Argentina.

FINANCIAL NEEDS OF COLOMBIA

CONDITIONS in Colombia are set forth in a letter from Consul Isaac A. Manning, dated at Barranquilla, October 23.

That the economic situation in Colombia is far from satisfactory is plainly evident, but that this condition is largely the reflex of the European war is also clear. Not only do business men, bankers and agriculturists all share in the present financial stress, but the Government of Colombia is also affected thereby. The suddenness of the war's breaking left no time for Federal retrenchment, and the loss of revenue resulting from the falling off in imports that has occurred since the declaration of hostilities in Europe has militated against the building up of a treasury balance that had been depleted by expenditures for extensive public works.

Financial assistance to both public and private interests in this time of crisis would redound to the ultimate

good of the country extending such aid. While the Government of Colombia might not consider asking for a direct loan in the United States there is no reason why such a loan could not be arranged through local Colombian banks; and exporters in the United States could render similar assistance to the commercial interests of Colombia by the extension of reasonable credit to responsible firms. This is the opinion of three of the largest banks in Barranquilla, two of which declare that they could place on first-class paper and security—ample, conservative and "gilt-edged"—at least $300,000 each, and keep it turning in the movement of well-established businesses and of growing crops.

There has been no replacing of the European credits withdrawn at the opening of the war, and only one banking concern in the United States has permitted its correspondents to make reasonably free use of their credits with it. American manufacturers, jobbers, agents and exporters have written thousands of letters and sent tons of catalogues, offering to the trade in Colombia practically everything but the one thing that would help them restock, and that is reasonable credit. The banks are doing nothing but a legitimate banking business in exchange. One bank stated on the date the letter was written that it had not loaned a dollar since the war broke out.

CONDITIONS IN URUGUAY

WITH the confirmation of the news of war in Europe the Government of Uruguay took immediate steps to safeguard the interests of the country. Banking experts and practical advisers were called into consultation and a bill was evolved and passed to the following effect:

(1) The notes of the Bank of the Republic are inconvertible until March 8, 1915.

(2) The Bank of the Republic may issue major notes ($10 and over) up to a maximum of $26.000,000, but must keep a gold reserve of not less than forty per cent. of its maximum issue and deposits at sight.

(3) The bank may apply $4,000,000 to a rediscounting of the portfolios of

other banks and may accept from the other banks gold to the same amount in exchange for notes. These deposits may be withdrawn at any time or must be withdrawn after six months if the Bank of the Republic so requires, and shall not count as a part of its gold reserve. These notes are not included in the above limit.

(4) The bank's notes are legal tender for all past or future pecuniary obligations, including deposits at sight. (All the foregoing provisions become void in six months.)

(5) The execution of sentences of judicial sale and of every obligation with pact of resale is suspended for two months.

(6) The eviction of tenants in arrears is suspended for one month.

(7) The exportation, reëmbarkation and trans-shipment of coal is forbidden, also of gold in specie or ingots. The Executive is authorized, however, to allow exceptions, these to include the supply of vessels.

(8) The Executive may prohibit or regulate stock-exchange operations in bank notes.

An Executive order thereupon prohibited all stock-exchange operations having as a result the depreciation of fiduciary money (i. e., the notes of the Bank of the Republic).

Cuba

PROSPEROUS BUSINESS CONDITIONS

THE rise in the price of sugar last summer has been the source of greatly added prosperity in Cuba. Commenting on conditions recently to

a representative of the New York "American," J. T. Monahan, manager of the New York office of the National Bank of Cuba, said:

"The outlook for Cuba is very flattering, due to the fact that cane sugar consumption must increase while beet sugar nations, like Russia and Germany, are at war and unable to harvest large crops, and it is confidently believed that such conditions will be reflected in an increase in the price of Cuban sugar.

"During the recent increase in price from two cents to six cents per pound it is believed that almost 3,000,000 bags were sold for delivery in the spring at over four cents per pound. The crop this year is estimated at from 2,000,000 to 2,500,000 tons, and even taking the lower figure, if the crop can be marketed at the average of four cents per pound, it will bring to Cuba about \$60,000,000 more than last season's crop of 2,500,000 tons. Some good judges think that the price of

J. T. Monahan,

MANAGER OF THE NEW YORK OFFICE NATIONAL BANK OF CUBA.

four cents per pound will be exceeded in a very few months if the war continues, and the curtailment of the beet sugar crop abroad compels the European nations to purchase Cuban sugar.

"An increase in production and in price will make the crop worth more than $200,000,000, exceeding the value of last year's crop by about $100,000,000.

"Cuba's prosperity will be of great benefit to the United States, as this is now the only available market for its needs, as attested by recent heavy exports from here to the island republic. It now remains for the American merchants to retain this trade diverted to the United States from Europe after the war ends."

Asiatic

BANK OF CHOSEN

THE tenth ordinary general meeting of shareholders of the Bank of Chosen, whose head office is at Seoul, was held at the Bankers Association Building, Tokyo, August 15, when the following report of operations for the last half-year was made:

The net profits for the half-year amounted to yen 399,328.34, to which must be added yen 37,330.11, brought forward from last half-year, making a total of yen 435,658.45, apportioned as follows: Dividend at six per cent. per annum, yen 225,000.00; additional dividend at one per cent. per annum, yen 37,500.00; reserve fund to provide for losses, yen 50,000.00; reserve fund to equalize dividends, yen 8,000.00; bonus and allowances, yen 27,900.00; balance carried forward to next account, yen 88,258.45.

The report made to the shareholders states that, on the whole, the monetary situation during the half-year under review may be considered to have been threatened more than once by the effect of the sudden fall in the price of rice, and also of the overstocking of imported goods, with the result that the bank, while putting forth its endeavors to extend its business, had to be constantly on guard in its operations in order to protect its own interests as well as to prevent any disturbing elements from taking hold of the situation. Fortunately, the bank made satisfactory progress during the half-year and was able to gain a profit exceeding by far that for any preceding half-year, so much so that it is now in a position to raise its rate of dividend and even to pay a dividend on the Government shares, a result never before attained.

The present capital of the Bank of Chosen is yen 10,000,000, of which yen 7,500,000 is paid up divided into 100,000 shares of 100 yen each, of which 30,000 shares are subscribed by the Government.

"THE farm is the basis of all industry, but for many years this country has made the mistake of unduly assisting manufacture, commerce and other activities that center in cities, at the expense of the farm."

—JAMES J. HILL.

The Federal Reserve Bank System

FEDERAL RESERVE BOARD

Chairman—William G. McAdoo, Secretary of the Treasury (ex-officio).
Governor—C. S. Hamlin, Boston.
Vice-Governor—Paul M. Warburg, New York.
Adolph C. Miller, San Francisco.
W. P. G. Harding, Birmingham, Ala.
Frederick A. Delano, Chicago.
John Skelton Williams, Comptroller of the Currency (ex officio).

Twelve Regional Reserve Banks and Their Directors:

DISTRICT NO. 1.

Federal Reserve Bank of Boston.
Alfred L. Aiken, Governor.

CLASS A.

Group 1—Thos. P. Beal, Boston, Mass.
Group 2—C. G. Sanford, Bridgeport, Conn.
Group 3—A. M. Heard, Manchester, N. H.

CLASS B.

Group 1—C. A. Morss, Boston, Mass.
Group 2—E. R. Morse, Proctor, Vt.
Group 3—C. G. Washburn, Worcester, Mass.

CLASS C.

Frederic H. Curtiss, Boston, Mass., Reserve Agent and Chairman of the Board.
Walter S. Hackney, Providence, R. I., Deputy Agent and Vice-Chairman.
Allen Hollis, Concord, N. H.

DISTRICT NO. 2.

Federal Reserve Bank of New York.
Benjamin Strong, Governor.

CLASS A.

Group 1—William Woodward, New York.
Group 2—R. H. Treman, Ithaca, N. Y.
Group 3—F. D. Locke, Buffalo, N. Y.

CLASS B.

Group 1—Henry R. Towne, New York.
Group 2—W. B. Thompson, Yonkers, N. Y.
Group 3—L. R. Palmer, Croton-on-Hudson, N. Y.

CLASS C.

Pierre Jay, New York City, Reserve Agent and Chairman of the Board.
Charles Starek, New York City, Deputy Agent and Vice-Chairman.
George F. Peabody, Lake George, N. Y.

DISTRICT NO. 3.

Federal Reserve Bank of Philadelphia.
Charles J. Rhoads, Governor.

CLASS A.

Group 1—Charles J. Rhoads, Philadelphia.
Group 2—W. H. Peck, Scranton, Pa.
Group 3—M. J. Murphy, Scranton, Pa.

CLASS B.

Group 1—Alba B. Johnson, Philadelphia.
Group 2—E. S. Stuart, Philadelphia.
Group 3—Geo. W. F. Gaunt, Mullica Hill, N. J.

CLASS C.

Richard L. Austin, Philadelphia, Pa., Federal Reserve Agent and Chairman of the Board.
George M. Lamonte, Bound Brook, N. J., Deputy Federal Reserve Agent and Vice-Chairman.
George W. Norris, Philadelphia, Pa.

DISTRICT NO. 4.

Federal Reserve Bank of Cleveland.
E. R. Fancher, Governor.

CLASS A.

Group 1—Robert Wardop, Pittsburgh.
Group 2—W. S. Rowe, Cincinnati, O.
Group 3—S. B. Rankin, South Charleston, O.

CLASS B.

Group 1—Thomas A. Combs, Lexington, Ky.
Group 2—C. H. Bagley, Corry, Pa.
Group 3—A. T. Patrick, Salyersville, Ky.

CLASS C.

D. C. Wills, Bellevue, Pa., Chairman and Reserve Agent.
Lyman T. Treadway, Cleveland, Ohio, Vice-Chairman and Deputy Agent.
H. B. Wolfe, Columbus, Ohio.

DISTRICT NO. 5.

Federal Reserve Bank of Richmond, Va.
George J. Seay, Governor.

CLASS A.

Group 1—Waldo Newcomer, Baltimore, Md.
Group 2—John F. Bruton, Wilson, N. C.
Group 3—Edwin Mann, Bluefield, W. Va.

CLASS B.

Group 1—George J. Seay, Richmond, Va.
Group 2—D. R. Coker, Hartsville, S. C.
Group 3—J. F. Oyster, Washington, D. C.

CLASS C.

William Ingle, Baltimore, Md., Reserve Agent and Chairman of the Board.

James A. Moncure, Richmond, Va., Deputy Agent and Vice-Chairman and Secretary.

M. F. H. Gouverneur, Wilmington, N. C.

DISTRICT NO. 6.

Federal Reserve Bank of Atlanta.
Joseph A. McCord, Governor.

CLASS A.

Group 1—L. P. Hillyer, Macon, Ga.
Group 2—F. W. Foote, Hattiesburg, Miss.
Group 3—W. H. Toole, Winder, Ga.

CLASS B.

Group 1—P. H. Saunders, New Orleans, La.
Group 2—J. A. McCrary, Decatur, Ga.
Group 3—W. H. Hartford, Nashville, Tenn.

CLASS C.

M. B. Willborn, Anniston, Ala., Chairman of the Board and Federal Reserve Agent.

Edward T. Brown, Atlanta, Ga., Vice-Chairman and Deputy Federal Reserve Agent.

W. H. Kettig, Birmingham, Ala.

DISTRICT NO. 7.

Federal Reserve Bank of Chicago.
James B. McDougal, Governor.
C. R. McKay, Deputy Governor
Bentley G. McCloud, Cashier.
W. L. McLallen, Secretary.

CLASS A.

Group 1—George M. Reynolds, Chicago.
Group 2—James B. Forgan, Chicago.
Group 3—E. L. Johnson, Waterloo, Ia.

CLASS B.

Group 1—H. B. Joy, Detroit, Mich.
Group 2—M. B. Hutchison, Ottumwa, Ia.
Group 3—A. H. Vogel, Milwaukee, Wis.

CLASS C.

C. H. Bosworth, Chicago, Ill., Reserve Agent and Chairman of the Board.

W. L. McLallen, Columbia City, Ind., Deputy Agent and Vice-Chairman.

Edwin T. Meredith, Des Moines, Ia.

DISTRICT NO. 8.

Federal Reserve Bank of St. Louis, Mo.
Rolla Wells, Governor.

CLASS A.

Group 1—Walker Hill, St. Louis, Mo.
Group 2—F. O. Watts, St. Louis, Mo.
Group 3—Oscar Fenley, Louisville, Ky.

CLASS B.

Group 1—Murray Carleton, St. Louis, Mo.
Group 2—W. B. Plunkett, Little Rock, Ark.
Group 3—Leroy Percy, Greenville, Miss.

CLASS C.

William McMartin, St. Louis, Mo., Reserve Agent and Chairman of the Board.

Walter W. Smith, St. Louis, Mo., Deputy Agent and Vice-Chairman.

John Boehne, Evansville, Ind.

DISTRICT NO. 9.

Federal Reserve Bank of Minneapolis, Minn.
Theodore Wold, Governor.

CLASS A.

Group 1—E. W. Decker, Minneapolis, Minn.
Group 2—L. B. Hanna, Fargo, N. D.
Group 3—J. C. Bassett, Aberdeen, S. D.

CLASS B.

Group 1—F. R. Bigelow, St. Paul, Minn.
Group 2—F. P. Hixon, La Crosse, Wis.
Group 3—N. B. Holter, Helena, Mont.

CLASS C.

John F. Rich, Red Wing, Minn., Reserve Agent and Chairman of the Board.

T. M. Kerst, St. Paul, Minn., Deputy Agent and Vice-Chairman.

John W. Black, Houghton, Mich.

DISTRICT NO. 10.

Federal Reserve Bank of Kansas City, Mo.
Charles M. Sawyer, Governor.

CLASS A.

Group 1—Gordon Jones, Denver, Colo.
Group 2—W. J. Bailey, Atchison, Kas.
Group 3—C. E. Burnham, Norfolk, Neb.

CLASS B.

Group 1—M. L. McClure, Kansas City, Mo.
Group 2—T. C. Byrne, Omaha, Neb.
Group 3—L. A. Wilson, El Reno, Okla.

CLASS C.

J. Z. Miller, Kansas City, Reserve Agent and Chairman of the Board.

A. E. Ramsey, Muskogee, Okla., Deputy Agent and Vice-Chairman.

R. H. Malone, Denver.

DISTRICT NO. 11.

Federal Reserve Bank of Dallas, Texas.
Oscar Wells, Governor.

CLASS A.

Group 1—Oscar Wells, Houston, Texas.
Group 2—E. K. Smith, Shreveport, La.
Group 3—B. A. McKinney, Durant, Okla.

CLASS B.

Group 1—Marion Sansom, Fort Worth, Texas.
Group 2—Frank Kell, Wichita Falls, Texas.
Group 3—J. J. Culberson, Paris, Texas.

CLASS C.

E. O. Tennison, Federal Reserve Agent and Chairman of the Board.

W. F. McCaleb, Deputy Agent and Vice-Chairman.

Felix Martinez.

DISTRICT NO. 12.

Federal Reserve Bank of San Francisco.
Archibald Kains, Governor.

CLASS A.

Group 1—C. K. McIntosh, San Francisco, Cal.
Group 2—J. K. Lynch, San Francisco, Cal.
Group 3—Alden Anderson, Sacramento, Cal.

CLASS B.

Group 1—A. B. C. Dohrman, San Francisco, Cal.
Group 2—J. A. McGregor, San Francisco, Cal.
Group 3—E. H. Cox, Madera, Cal.

CLASS C.

John Perrin, Federal Reserve Agent and Chairman of the Board.

Claude Gatch, Deputy Agent and Vice-Chairman.

Charles E. Peabody.

First Consolidated Statement of the Federal Reserve Banks

FOLLOWING is the first consolidated statement of the twelve Federal Reserve Banks showing condition at the close of business November 20:

Cash on hand—	
Gold coin and certificates	$203,415,000
Legal tender, silver certificates and subsidiary coin	37,308,000
Total	$240,723,000
Rediscounts	5,607,000
All other assets	95,000
Total	$246,425,000
Capital paid in	$18,072,000
Reserve deposits	227,138,000
Federal reserve notes in circulation	1,215,000
Total	$246,425,000
Gold reserve against all liabilities	89 per cent.
Cash reserve against all liabilities	105 per cent.
Cash reserve against all liabilities after setting aside 40 per cent. gold reserve against Federal reserve notes in circulation	105 per cent.

Federal Reserve Rediscount Rate

ON November 13 rediscount rates were fixed by the Federal Reserve Board as follows:

Reserve District.	On paper maturing within 30 days. Per cent.	On paper maturing within a time greater than 30 days. Per cent.
New York	5½	6
Philadelphia	5½	6
Boston	6	6
Cleveland	6	6
Richmond	6	6
Chicago	6	6
St. Louis	6	6
Atlanta	6	6½
Minneapolis	6	6½
Kansas City	6	6½
Dallas	6	6½
San Francisco	6	6½

New Bank War Tax Rule

A RULE stipulating the method of arriving at the amount of undivided profits upon which a banker must pay the war tax has been issued by the Commissioner of Internal Revenue as follows:

"In a previous ruling it was held that the undivided profits should be figured for each business day, and the average thereof taken as the amount of undivided profits to be used in computing the tax due. In many instances it is clear that such a method would be more or less impracticable and involve too lengthy a calculation in arriving at the basis desired. Therefore while perhaps the daily average of undivided profits, as set forth above, is the one absolutely accurate method by which to arrive at the amount to be entered into the total of capital, surplus and undivided profits, this office will accept a return, under oath, from any banker where the undivided profits are computed in any manner whereby a fair and just amount is arrived at representing the average amount of the undivided profits employed by the bank during the fiscal year preceding the year for which the tax is due.

"It should be understood, in the event the amount of undivided profits arrived at by the banker is questioned, that the average undivided profits should be computed for each business day, as set forth in the previous ruling."

Teaching Thrift

SEEMINGLY there lurks in the following, from the "Texas Bankers Journal," a trace of sarcasm:

"Thrift is now sent out in printed pamphlets written by high salaried dreamers with pink tinted, highly polished, manicured finger nails, holding a pen over an imported blotter on an extravagantly handsome mahogany desk, and about as useless in the practice of thrift as a soap bubble is for making a plowshare."

Banking and Financial Notes

EASTERN STATES

New York City

—On November 28 the New York Stock Exchange reopened for limited trading in bonds.

—George B. Williams vice-president of the Chelsea Exchange Bank, is active in organizing a State bank with $250,000 capital and $62,500 surplus, the new bank to be located in the vicinity of Broadway and Forty-second street.

—Thomas Hildt, vice-president of the National Bank of Commerce, Baltimore, is a new director of the Astor Trust Company.

—As a result of the reduction in the legal reserve requirement of the national banks from twenty-five to eighteen per cent. under the Federal Reserve Act, the statement of the clearing-house banks on November 21, the first issued since the new law became effective, showed a surplus of reserve above legal requirements amounting to $176,830,540. The previous week's statement showed a surplus of only $7,413,900.

Of course, this large surplus on November 21 was due to the change in the law rather than to any marked actual change in the conditions of the clearing-house banks. Nevertheless, it increases the lending capacity of the banks, provided the bankers accept the view that the reserves of the banks may safely be reduced from twenty-five to eighteen per cent.

The statement of November 21 was as follows:

Loans, etc.	$2,146,189,000
Reserve in own vaults	350,462,000
Reserve in Federal Res. Bk.	96,060,000
Res. in other depositaries	64,424,000
Net demand deposits	1,936,028,000
Net time deposits	91,932,000
Circulation	92,652,000
Aggregate reserve	510,946,000
Excess reserve	176,830,540

—Otto L. Dommerich of the firm of L. F. Dommerich & Company has been added to the board of directors of the Citizens Central National Bank.

—At the close of its first week's business, the Federal Reserve Bank of New York made this statement of condition:

Discounts	$3,023,500
Cash	108,314,674
Capital	3,321,950
Fed. res. notes outstanding	224,825
Net deposits	107,529,994

The above is exclusive of Federal Reserve notes on hands, earnings, expenses and accruals.

—Fred I. Kent, vice-president of the Bankers Trust Company, has been elected to the board of directors of that institution.

—The Metropolitan Trust Company announces that Harold Herrick, president of the Niagara Fire Insurance Company, and Alfred P. Walker, president of the Standard Milling Company and the Hecker-Jones-Jewell Milling Company, have been elected directors in place of the late Frederick T. Martin and the late Brayton Ives.

—National banks in New York are rapidly retiring the so-called emergency circulation.

—Hon. George E. Roberts, ex-Director of the United States Mint, and formerly president of the Continental and Commercial National Bank, Chicago, has become assistant to the president of the National City Bank. Mr. Roberts is widely known as a banking and economic authority.

—The Morris Plan Company of New York has filed its organization certificate with the Banking Department at Albany, and it is proposed that the company will begin its business in the Kuhn-Loeb Building at 52 William street, during the present month.

This company will be the first unit to operate the Morris Plan of industrial loans and investments in New York city. It will begin business with a capital of $100,000, and it is proposed to increase this capital, and to establish branches in different parts of the city, as the growth of its business and the demand for its facilities may warrant.

The Morris Plan provides opportunity for persons of moderate means to secure loans of money at reasonsable rates of interest, repayable under equitable conditions acceptable to the borrower and safe and remunerative for the lender; also opportunity for those of small means to secure a safe and profitable investment in denominations of $50 or multiples, payment for which may be made in installments bearing interest, whereby small investors are provided with an incentive for systematic saving of a fixed proportion of their earnings.

The Morris Plan has been in operation, through independent companies organized in the years indicated, in the following cities: Norfolk, Va., 1910; Atlanta, Ga., 1911; Baltimore, Md., 1912; Washington, D. C., 1912; Richmond, Va., 1912; St. Louis, Mo., 1913; Memphis, Tenn., 1913; Charleston, S. C., 1913; Columbia, S. C., 1913; Springfield, Mass., 1913; Denver, Colo., 1913; Philadelphia, Pa., 1913; Lynchburg, Va., 1913; Portsmouth, Va., 1914; Nashville, Tenn., 1914.

These companies in the aggregate have loaned $6,100,000 to 49,500 borrowers, the average loan being for $128.

The following are the incorporators and directors of the first Morris Plan company in New York:

Frederick W. Allen, vice-president Mechanics and Metals National Bank, director National Surety Company; George F. Canfield, vice-president State Charities Aid Association, of the firm of Messrs. Satterlee, Canfield & Stone; Thomas Cochran, president Liberty National Bank, director Astor Trust Company: Raymond Du Puy, vice-president and general manager Virginian Railway Company; Lewis B. Gawtry, vice-president Consolidated Gas Company of New York, trustee Bank for Savings, trustee County Trust Company and First National Bank, White Plains, N. Y.; Thomas H. Gillespie, vice-president and director T. A. Gillespie Company, general contractors; Arthur Hagen, of Messrs. Millett, Roe & Hagen, bankers and brokers; Richard T. H. Halsey, of Messrs. Halsey & Hudnut, chairman finance committee and Governor New York Stock Exchange; Edwin O. Holter, of Messrs. Holter, Ingalls & Guthrie, attorneys; Sam A. Lewisohn, of Messrs. Adolph Lewisohn & Sons, director City & Suburban Homes Company, and Crocker-Wheeler Company; Fred E. Linder, of the National Retail Dry Goods Association, New York; John R. MacArthur, Messrs. MacArthur Brothers, general contractors; John Markle, president G. B. Markle Company, anthracite coal operators; Wallace D. McLean, assistant to the president, United States Express Company; Arthur J. Morris, of Messrs. Morris, Garnett & Cotten, lawyers, Norfolk, Va., and originator of the Morris Plan; Jason A. Neilson, with Messrs. Brown Brothers & Company, ex-president American Institute of Banking; James E. Russell, dean of Teachers College, New York; Charles H. Sabin, vice-president Guaranty Trust Company of New York; Theodore P. Shonts, president Interborough Rapid Transit Company; Willard

Straight, banker; Henry R. Towne, president and director Yale & Towne Manufacturing Company, ex-president Merchants Association, Class B director New York Federal Reserve Bank; Guy E. Tripp, chairman board of directors Westinghouse Electric & Manufacturing Company, director United States Mortgage and Trust Company, trustee American Surety Company; William Turnbull, retired banker; Arthur Williams, connected with the New York Edison Company; Clark Williams, ex-Superintendent of Banks and ex-Comptroller of the State of New York; Charles T. Wills, builder, director Garfield National Bank.

—Publication of the detailed statements of the clearing-house banks was resumed on December 5.

—With the appointment of Joseph A. Broderick as chief of the division of audit and examination of the New Federal Reserve System, New York Chapter, American Institute of Banking, is again contributing toward the success of the new financial system of the country.

Mr. Broderick's long experience in trust company work and his later success in inaugurâting a new system of examinations in the New York State Banking Department, as well as his activities in connection with the work of the American Institute of Banking, and his many contributions to the financial literature of the country, have fitted him for the important duties of his new position. It is an assurance that the work of audit and examination of the new system will be thorough in every respect.

—Conditions in New York are undoubtedly improving, as indicated by the opening of the Cotton Exchange, the partial resumption of Stock Exchange operations, the lifting of the sixty-day rule on savings banks withdrawals, and the rapid retirement of clearing-house loan certificates and emergency currency. These improvements at New York, of course, reflect a general brightening of financial skies.

—All clearing-house loan certificates have been retired. Following are some

interesting facts regarding these issues:

Date of first issue, August 3, 1914; date of last issue, October 15, 1914; aggregate issue, $124,695,000; largest amount outstanding, $109,185,000; largest amount in circulation, $57,625,000; date of first cancellation, August 26, 1914; date of last cancellation, November 28, 1914; number of days, first issue to last cancellation, 118.

Collateral deposited for loan certificates:

Commercial paper	$234,465,000	50.7%
Bonds and securities	163,873,000	35.5%
Collateral loans	63,836,000	13.8%
Total	$462,174,000	

The maximum amount of collateral in the hands of the committee at any one time was $158,327,000.

Committee—Albert H. Wiggin, president Chase National Bank; William Woodward, president Hanover National Bank; James S. Alexander, president National Bank of Commerce; Clarence H. Kelsey, president Title Guarantee and Trust Company; Stephen Baker, president Bank of the Manhattan Company; Francis L. Hine, president First National Bank.

Associate Committee—Walter E. Frew, president Corn Exchange Bank; Gilbert C. Thorne, vice-president National Park Bank; Otto T. Bannard, president New York Trust Company; William A. Simonson, president Second National Bank; Herbert P. Howell, vice-president National Bank of Commerce.

—Directors of the New York Federal Reserve Bank appointed an executive committee of five, consisting of Governor Strong and Messrs. Jay, Woodward, Towne and Thompson. Mr. Woodward, who is a Class A director of the bank, will act as Deputy Governor pending the election of a permanent deputy.

James F. Curtis of Boston, who was for several years Assistant Attorney-General of Massachusetts and subse-

quently Assistant Secretary of the Treasury under Secretaries MacVeagh and McAdoo, was elected Acting Secretary. He will advise the bank upon legal matters.

C. E. Gregory, cashier of the National City Bank, will act as cashier for the Reserve Bank, pending the election of a permanent cashier. Other acting cashiers are B. W. Jones, assistant secretary, and R. E. Giles, assistant treasurer of the Bankers Trust Company, and S. A. Welldon, assistant cashier of the First National Bank.

I. B. Hopper, manager of the credit department of the Chemical National Bank, joined the staff temporarily and will undertake the organization of the credit system of the bank.

—November 11 marked the removal of Messrs. J. P. Morgan & Company into the new building, at the corner of Wall and Broad streets—the site occupied by the firm since 1872. This new structure is built of the finest Tennessee marble, is of a simple type of architecture, and contains a security vault of extraordinary strength. It stands on a plot of ground valued at some $4,000,000. While at present the building is but four stories, its foundations are such as to permit of a much greater height if found desirable at a later date.

—The Guaranty Trust Company has prepared in pamphlet form a handy synopsis of the new War Tax Law, which was passed by Congress on October 22. All commodities and other items affected by the law are arranged in alphabetical order with the tax on each distinctly indicated. In addition, all definitions contained in the law are arranged by themselves, as are also all penalties and miscellaneous provisions. Another section gives the exact date when the tax on each of the schedules becomes effective.

—Directors of the Federal Reserve Bank of New York, at their meeting on November 25, elected J. P. Morgan to represent this district as a

member of the Federal Advisory Council.

—Removal of the offices of the New York Federal Reserve Bank is reported from 27 Pine street to 62 Cedar street—the ground floor of the building of Harvey Fisk & Sons.

Philadelphia

—Between September 12 and October 31 the Philadelphia National Bank showed a gain of over $3,400,000 in deposits. Surplus and profits and total resources also have substantially increased, as may be seen from the accompanying table:

	Sept. 12	Oct. 31
Deposits	$55,314,482.27	$58,714,566.88
Surplus and profits	4,936,130.64	5,167,384.79
Total resources	$65,703,153.21	70,064,051.17

Examining the respective statements in detail, it is found that the increase in deposits came almost entirely from individuals, the figures on the two dates being as shown herewith:

	Sept. 12	Oct. 31
Individual deposits	$33,143,433.63	$36,394,814.19
Bank deposits	22,171,048.64	22,319,752.69

Nor did this gain come from an expansion of loans, the item "loans and discounts" being slightly less on October 31 than on September 12. Circulation was also reduced by $193,600. The complexion of the figures warrants the conclusion that the Philadelphia National Bank is either gaining new accounts or that its present depositors are adding to their funds in the bank—and in either event the result must be peculiarly gratifying to President Rue and his associates at a time when a growth in business constitutes an exceptional evidence of strength and good management.

—Joseph Moore, Jr., president of the National Bank of Northern Liberties, completed twenty-five years of service as an official of that institution

D. C. Wills

on November 9, and to mark the occasion the directors of the bank gave a dinner in Mr. Moore's honor at the Bellevue-Stratford.

—In the line of service the Corn Exchange National Bank has prepared an "A, B, C of the War Tax," giving both a convenient digest of the law and the full text.

Pittsburgh

—D. C. Wills, cashier of the Diamond National Bank of Pittsburgh, was chosen as Federal Reserve Agent and Chairman of the Board of the Federal Reserve Bank of Cleveland.

Mr. Wills was born in 1872 and was graduated at the Allegheny High School 1889, and then entered the Me-

chanics National Bank, Pittsburgh, and was soon promoted to be paying teller. Since 1904 he has been cashier of the Diamond National Bank. He is past president of the Bankers and Bank Clerks Mutual Benefit Association, of Pittsburgh, a member of the executive council of the American Bankers Association, director in the Diamond Savings and Diamond National Banks and president of the Citizens National Bank of Bellevue, Pa.

—At the close of business on October 31 the Mellon National Bank reported: Capital, $6,000,000; surplus, $2,200,000; undivided profits, $832,605; deposits, $44,272,230, and total resources, $59,416,514.99.

—On the evening of November 16 members of the Bankers and Bank Clerks Mutual Benefit Association met at the Hotel Schenley for their forty-first anniversary banquet. These officers of the organization were chosen: C. C. Hammond, president; C. L. Werner, vice-president; Joseph B. Drake, treasurer; Homer D. Smith, recording secretary; William H. Jolly, corresponding secretary; J. P. McKelvey, Thomas W. Campbell, Lynn R. Ramsey, C. C. Taylor, E. C. Striebech and W. H. Logan, directors; H. C. McEldowney and A. S. Beymer, trustees.

—November 8 was the semi-centennial of the First National Bank of St. Johnsville, N. Y., which the bank celebrated by moving into its thoroughly modern building recently completed.

—Bankers at Camden, N. J., have formed a plan for bringing all the banks and trust companies of Camden county into an organization to look after the welfare of these institutions.

—The Fidelity Trust Company of Baltimore announces arrangements for a trip all around South America, in the interest of furthering trade relations between the United States and Latin America, to be taken by several hundred bankers, manufacturers, exporters and importers of this country. The trip is to take 106 days and the Red Star line steamship Finland has been chartered. It will leave New York January 27, and Baltimore, where the main party will join it, January 29.

Members of the Chamber of Commerce of New York, as well as all of the leading merchants, manufacturers and bankers of that city, will be invited to take the trip at a practically nominal cost. Arrangements have been made with the State Department for the coöperation of the diplomatic and consular service in Latin America. Lecturers will go ahead of the trip to explain its purpose.

There will also be on board an elaborate exhibition of American made products for South Americans to see when the ship visits the various ports. The trip will be down the east coast of South America, through the Straits

of Magellan, up the west coast, through the Canal to the West Indies and then home. The ship is due to arrive back in New York on May 11.

—The First National Bank of Pittston, Pa., is now in its new building.

—A new bankers' association has been organized under the title of the "Authorized Bankers Association" of the State of New York, composed of all those private bankers in the State that have qualified under the new banking law.

At its first annual convention the following were elected officers to serve for the ensuing year: President, Richard M. Lederer; vice-president, Raymond Guarini; secretary, Karl Schenk, and treasurer, Henry J. Schnitzer. The board of governors to serve for the first year consists of the officers of the association and Messrs. Joseph Sessa, Jacob Markel and Raphael Scotto.

The office of the association is at present that of the secretary, No. 395 Broadway, and that of the president at Avenue B, corner Fourth street, New York city.

According to the declaration adopted, the avowed purpose of the association is to promote the general welfare and usefulness of private banking institutions and to secure uniformity of action, together with the benefits derived from personal acquaintance and from the discussion of subjects of importance to the private banking interests of the State of New York; and especially to disseminate information leading to a proper understanding of the laws and customs governing the private banking interests.

—Bank clearances at Syracuse, N. Y., for the first ten months of the present year show a gain of more than $3,500,000, compared with a similar period in 1913.

—J. Monroe Holland is a new vice-president of the National Bank of Baltimore. He has been a member of the bank's board for some time.

NEW ENGLAND

Boston

—Daniel G. Wing, president of the First National Bank, has been chosen a member of the Federal Advisory Council. This council was created by the Federal Reserve Act, and members are elected by the directors of the respective Federal Reserve Banks.

Mr. Wing began his banking work in Nebraska as a messenger in the State National Bank at Lincoln, and in 1880 he became cashier of the American Exchange National Bank of that city. He was appointed a national bank examiner in 1897, and later was charged with the duties of liquidating some failed banks. His work in this ca-

pacity attracted attention and in 1902 he was chosen president of the Massachusetts National Bank, and when this institution and the First National merged, he was made the executive head.

His selection as a member of the Federal Advisory Council, made at the instance of a board of directors widely representative of New England's banking and other business interests, is a recognition of the high reputation he has won as a bank executive.

—Amory Eliot, who has long been a director of the Webster and Atlas National Bank, succeeds the late John P. Lyman as president.

—A time-deposit department, in which deposits will draw interest, has been established by the First National Bank.

—James J. Storrow of Lee, Higginson & Company and Thomas K. Cummins, treasurer of the Edison Illuminating Company of Boston, have been elected directors of the Old Colony Trust Company to fill vacancies caused by death.

—Speaking recently on "The Present Necessity for Institute Training," Raymond B. Cox, vice-president of the Webster and Atlas National Bank, Boston, and former president American Institute of Banking, said:

"The real value of the training and association in the American Institute of Banking will soon cease to be a matter of mere personal advantage, and will become absolutely necessary for those who wish to progress in banking as it will hereafter be conducted in this country. The introduction of the Federal Reserve Bank system will make a decided change in our methods of finance. Heretofore, banks have been operated in accordance with certain definite Federal or local laws and customs of many years standing, and contrary to the natural and economic laws. These obsolete restrictions and handicaps have been eliminated, and banking here, as elsewhere, will be conducted along scientific and economic lines. A certain familiarity with bank routine may be acquired by practice. A clear conception of those principles of finance can only be acquired through close individual study and instruction under proper direction.

"The Institute was organized for the specific purpose of affording this necessary opportunity of study, and providing professional direction of that effort. Those who have already taken advantage of the opportunities offered by the organization are now in a most advantageous position, as they should be prepared to understand the changed conditions and to cope with them. As the new system develops it will become more and more necessary for the efficient bank man to have this training. Accordingly, the period of greatest usefulness of the Institute is now at

hand. In the past its many advantages, influence and study courses have been largely personal to the members, and intangible to the banks. In the future these advantages will become necessities, as the banks must be operated by scientifically trained officers and employees. The Institute has been so training its members for over ten years, and the results have demonstrated that it is fully equipped and prepared to meet the necessity for such an organization which is now most apparent. Banks which coöperate hereafter in its development will more definitely serve their own interests, and those who take advantage of the opportunities here offered will acquire that knowledge which must now be possessed by all who hope to enjoy even a moderate success in banking."

—The Danielson (Ct.) Trust Company opened for business on November 9, occupying temporary quarters in the Phoenix Block.

—Ralph H. Mann was recently elected president of the Gloucester (Mass.) National Bank. Mr. Mann, who is a son of Hon. Hosea Mann, a former State Bank Superintendent of Vermont, began his banking career as a clerk in the Guaranty Trust Company, New York. He later entered Harvard University and after graduation was officially identified with several New England banks before reaching his present position.

RALPH H. MANN,
NEWLY ELECTED PRESIDENT GLOUCESTER (MASS.) NATIONAL BANK.

The Gloucester Bank was established as a State institution in 1796.

—At a cost of some $30,000, the Foxboro (Mass.) Savings Bank and the Foxboro National Bank have completed a new building for their joint occupancy.

—Plans have been prepared for a very attractive building for the Fall River (Mass.) Five Cents Savings Bank.

—A. J. Skinner, cashier of the Third National Bank, Springfield, Mass., and connected with that institution for twenty-five years, heads a new trust company in Springfield.

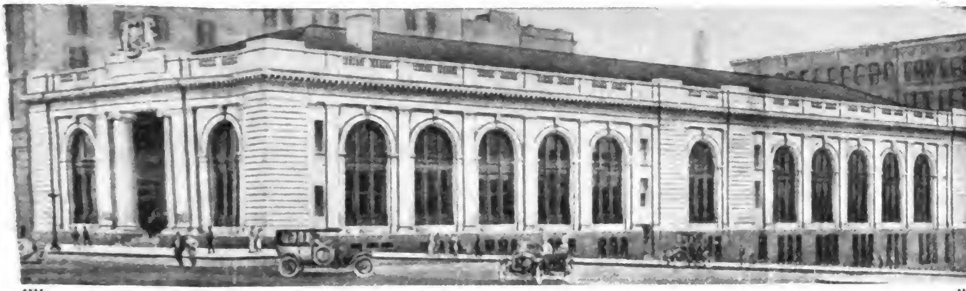
SOUTHERN STATES

—John L. Dickey succeeds Lawrence E. Sands as president of the National Exchange Bank, Wheeling, West Va. Mr. Sands, who had long been president of this institution, was some time ago chosen president of the First-Second National Bank of Pittsburgh.

—Having transferred its commercial banking interests to the National Bank of Commerce, Houston, Texas, the Security Trust Company of that city will hereafter devote attention exclusively to trust and real estate business.

—About January 1 a new bank and trust company will begin business at Savannah, Ga., with $200,000 capital. W. V. Davis, formerly vice-president of the Savannah Trust Company, will be president.

—R. L. Van Zandt, son of K. M. Van Zandt, president of the Fort Worth (Texas) National Bank, has been made assistant manager of the Eleventh District Federal Reserve Bank at Dallas. Mr. Van Zandt was a national bank examiner at the time



of his appointment, and was formerly in the Treasury Department at Washington.

J. W. Hoopes of Galveston has been appointed cashier of the Dallas Federal Reserve Bank. Mr. Hoopes is treasurer of the American Bankers Association, secretary of the Texas Bankers Association, and was cashier of the City National Bank of Galveston when appointed cashier of the Reserve Bank.

—Houston newest banking institution, says the "Texas Bankers Record," has just been organized, capitalized with $25 fully paid in and subscribed in shares of twenty-five cents each. It is known as the News Boys Savings Bank and is located at the Emma R. Newsboys Home and Club.

Fifty depositors have already added to the resources of the institution and probably as many borrowers have signed notes and taken out sums ranging from three cents to several dollars.

When a newsboy is "stuck" with his papers, he borrows until a luckier day. When he makes more money than he needs he deposits a part of it. Any deposit from a cent upward is taken by the institution.

Virgil Kirby is president and cashier. The other officers are Jack Faour, vice-president; Roy McCarson, second vice-president; and George Cass, assistant cashier.

For the use of the money the boys pay the prescribed rate of interest, one cent for each nickel. The profits go to the stockholders. They are divided at the end of each month.

One of the first loans was made to a boy who did not have money with which to buy school books. The books were bought and in small amounts the principal was returned.

—There has been some change in the Texas State banking law relating to reserves. On October 21 the State Bank Commissioner, Hon. W. W. Col-

lier, issued the following statement to Texas bank examiners:

"I beg to advise that the law relative to reserves has now been amended, effective from and after October 19, 1914. The reserve requirements hereafter will be as follows:

"1. A bank having less than $25,000 capital is required to maintain a twenty per cent. reserve, and eight per cent cash reserve being required, against all demand deposits.

"2. A bank having a capital of $25,000 or more is required to maintain a fifteen per cent. reserve, a six per cent. cash reserve being required, against all demand deposits.

"3. State banks becoming members of the Federal Reserve system are required to carry reserves of twelve per cent. against demand and five per cent. against time deposits, where such banks are not located in a reserve city; and banks in a reserve city are required to carry reserves of fifteen per cent. against demand, and five per cent. against time deposits. These requirements are set out fully in the bill which will be sent you.

"Demand deposits are those payable within thirty days. Time deposits are those payable upon more than thirty days' notice.

"In figuring reserve you will not allow as acceptable cash items checks on the bank being examined. It will be proper to deduct the amount of checks upon the bank drawn by its own customers from the total amount of demand deposits.

"Checks and drafts upon other banks and points, which are being handled as cash items, may be counted as acceptable cash items. Items which have not been remitted for collection at the close of the business day in which they were received will not be considered by you as acceptable cash items."

—Georgia banks are to organize a State Clearing-House Association, which it is expected will be ready to begin operations on January 1 with headquarters at Atlanta.

—The Citizens Bank of Charleston, S. C., now occupies its new building. As the bank's business has increased about forty per cent. in the past year, a new building was felt to be a necessity.

—October 20 was the twenty-fourth anniversary of the National Bank of Denison, Texas, and on the preceding day the bank moved into its new modern building, celebrating the event by a public reception to the many friends and patrons of the institution.

—As shown by the report of Chief Examiner C. C. Barksdale, the 266 State banks of Virginia had on September 12, $59,318,911 total deposits, an increase of $528,310 compared with the statement of August 9, 1913.

—Statements of the banks of Richmond, Va., on October 31, as compiled by W. P. Shelton, assistant cashier of

the First National Bank, show deposits, $48,928,921, and total resources $78,-883,785.

WESTERN STATES

Chicago

—Earle H. Reynolds, who is but twenty-eight years old, was recently elected president of the People's Trust and Savings Bank, of which he was made assistant cashier in 1910 and later cashier. His election to the presidency of the bank followed the resignation of President Bosworth to accept the position of Federal Reserve Agent of the Chicago Federal Reserve Bank.

Ray H. Griffin and Robert B. Upham have been elected vice-presidents of the People's Trust and Savings Bank and H. T. Griswold, cashier.

—James B. Forgan, Jr., has been elected president of the Second Security Bank—a promotion from the position of cashier.

—An interesting account of the opening of the Federal Reserve Bank here appears in "The Bankman," contributed by Tom Nugent. This report says:

The Federal Reserve Bank of District No. Seven opened for business Monday, November 16, in the Rector Building thus completing the final touch to the new financial machine which it is hoped will develop into a powerful instrument for the advancement and prosperity of commerce and industry.

The first board of directors and official staff is as follows:

Class "A"—George M. Reynolds, Chicago, Ill., Group 1; James B. Forgan, Chicago, Ill., Group 2; E. L. Johnson, Waterloo, Ia., Group 3.

Class "B"—Henry B. Joy, Detroit, Mich., Group 1; M. B. Hutchinson, Ottumwa, Ia., Group 2; A. H. Vogel, Milwaukee, Wis., Group 3.

Class "C"—C. H. Bosworth, Chicago, Ill., Chairman and Federal Reserve Agent; W. L. McLallen, Columbia City, Ind., Vice-Chairman and Deputy Reserve Agent; Edwin T. Meredith, Des Moines, Ia.

Officers—J. B. McDougal, Governor; Charles R. McKay, Vice-Governor; Bentley G. McCloud, Cashier; W. F. McLallen, Secretary; Charles L. Powell, Attorney.

The officers, who will have immediate charge of the bank and will conduct its affairs, are all men of tried and tested banking experience. J. B. McDougal, for many years a national bank examiner and more recently chief examiner for the Chicago Clearing-House, is a happy choice for the governorship.

Charles R. McKay has been connected with the First National Bank for almost a quarter of a century. For the past several years he has served that

bank in an official capacity as manager of the transit and general books department and is a recognized expert on transit matters. He has always been an enthusiastic supporter of the Institute and was a delegate to the Seattle convention of the organization.

C. H. Bosworth brings to the bank the acme of banking experience. He has been both a national and state examiner and more recently president of the People's Trust and Savings Bank.

Bentley G. McCloud was for many years an employee of the First National Bank and later assisted Mr. McDougal in the examination of Chicago Clearing-House banks.

W. F. McLallen has been active for many years in the financial, business and social life of Columbia City, Ind. He was president of the First National Bank and secretary of the Provident Trust Company of that city.

Charles L. Powell, the bank's attorney, is a lawyer of note and distinction and a member of the firm of Mayer, Meyer, Austrian and Platt.

The staff of employees will be up to the standard as much stress has been laid upon the efficiency of the men employed. As far as can be learned no considerable number of men will at first be taken on as the bank will, no doubt, feel its way and as the work progresses and increases additional help will be added as required.

The bank has been aided materially in facilitating the opening by the work of several senior clerks loaned by the prominent banks of the city. It is to the credit of the banks that they so generously contributed to the speedy establishment of the new institution.

—With the beginning of this month the Lake View Trust and Savings Bank takes possession of its new building, which is one of the finest of the banking-houses in Chicago's outlying districts.

—This is the way the National City Bank looks at one phase of the business situation:

"So far as the general outlook is concerned, interest converges chiefly on the railroads and the attitude of the Interstate Commerce Commission towards the fresh appeal for an increase in freight rates. There is no doubt but that the railroad industry has been seriously embarrassed by the falling off in business which has attended the complications growing out of the European war. Besides this, with financial conditions as they are, it stands to reason that a railroad wishing to borrow money must show fair earning capacity and something besides mere ability to pay expenses. It is to be hoped that the Interstate Commerce Commission may conclude its investigation in the shortest possible time and that it will grant some relief for the roads. This is something of an old story, but every intelligent student of economic conditions understands full well the need for placing the railroad industry of the United States—the greatest industry of all—upon a thoroughly sound basis

again; and it may be said that it is foolish to expect genuine revival in business with thoroughgoing prosperity until this basic step is undertaken without further haranguing or delay."

—The combined statements of the First National Bank (Oct. 31) and the First Trust and Savings Bank (Nov. 2) showed $165,912,226.43 deposits.

—J. B. McDougal, the Governor of Chicago's Federal Reserve Bank, has been for the last eight years examiner for the Chicago Clearing-House. He was for a number of years connected with the Central National Bank at Peoria. Later he became a national bank examiner.

—One of the West's great financial institutions—the Illinois Trust and Savings Bank—reported on October 31: Capital, $5,000,000; surplus fund, $10,000,000; undivided profits, $684,418.97; deposits, $91,922,445.31; total resources, $108,391,864.28—"without the assistance of mergers or consolidations of other banks."

St. Louis

—J. A. Berninghaus, heretofore cashier of the Central National Bank, is now vice-president and director. Thomas E. Newcomer, formerly assistant cashier of the Fort Dearborn National Bank, Chicago, succeeds Mr. Berninghaus as cashier.

—This city's bankers come in for large honors in the organization of the Federal Reserve Bank here. Supporting the Governor of the Bank, ex-Mayor Rolla Wells, are such well-known local bankers as Walker Hill, president of the Mechanics-American National Bank, and Frank O. Watts, president of the Third National Bank—these gentlemen being "Class A" di-

rectors; William McChesney Martin, vice-president Mississippi Valley Trust Company Chairman of the board, and Walter W. Smith, Deputy Agent and Vice-Chairman, also formerly of the Mississippi Valley Trust Company, and for some time assistant chief examiner of the St. Louis Clearing-House Association and also for nearly five years a national bank examiner in this district.

—Arnold C. White, who has been assistant manager of the St. Louis Clearing-House Association for the last seven years, has been elected manager to succeed W. W. Hoxton, who has been made Deputy Governor and Secretary of the St. Louis Federal Reserve Bank.

—This city has gained just fame from the success of the cotton-loan syndicate, to whose formation Festus Wade, president of the Mercantile st Company, gave so freely of his time, energy and ability. In announcing the completion of the syndicate, Secretary McAdoo said: "Great credit should be given to Messrs. Festus J. Wade and George W. Simmons of St. Louis for their earnest and effective work."

—Omaha has a new State bank—the German-American State Bank— with $200,000 capital. Fred R. Baker is president; E. L. Thomas, vice-president, and James Hackett, cashier.

—Otis Everett succeeds Haydn S. Cole as president of the Northwestern Trust Company, St. Paul, Minn.

—Following the election of F. R. Fancher, president of the Union National Bank of Cleveland, Ohio, to be Governor of the Federal Reserve Bank of Cleveland, there have been several changes in the official staff of the Union National. G. A. Coulton, heretofore

vice-president, was chosen president; W. E. Ward, formerly cashier is now vice-president, and W. C. Saunders, assistant cashier heretofore, has been promoted to succeed Mr. Ward as cashier. F. W. Cook, A. E. Christian and C. F. Mead were named assistant cashiers in addition to E. E. Creswell.

—At Indianapolis, Ind., the State Savings and Trust Company recently opened, with these officers: President, Mord Carter; vice-presidents, W. L. Higgins and Jonas Joseph; secretary, Roy Sahm; treasurer, Frank J. Geiger.

—The Union National Bank of Cleveland will put up a new building to be the equivalent of sixteen stories, the first floor (the banking quarters) equaling the height of three other floors.

—C. T. Jaffray, vice-president of the First National Bank of Minneapolis, has been elected as a member of the Federal Advisory Council for the Ninth District.

—Theodore Wold formerly president of the Scandinavian-American Bank of Minneapolis, is the Governor of the Federal Reserve Bank of Minneapolis.

—The opening of the Federal Reserve Bank at Minneapolis gives "the Commercial West" an opportunity to call attention to the wealth and prosperity of that portion of the country. It says:

"The group of Northwestern States comprising the Minneapolis Reserve Bank district has an annual output of new wealth of more than $1,000,000,000. This annual income is from the farms, mines, live stock and forests. Farm products alone aggregate about $700,000,000 in value, or about one-fifth of the total value of the farm products of the entire country for 1913, confining the count to such varieties of crops as are raised here in the Northwest, as grains, hay, potatoes, etc.

"About one-third of the wheat crop of the United States, one-half of the barley crop, and practically all of the flaxseed crop, come from this district. Minnesota far outranks any other State in flour output, producing more than twice that of Kansas its nearest competitor. Its annual production is around 23,000,000 barrels, and the total output of these Northwestern States is nearly 32,000,000 barrels, or about one-third of the entire flour output of all mills in the United States.

"Minnesota and Michigan mines turned out 47,000,000 of the total of 57,000,000 tons of iron ore produced in 1912. Minnesota's wealth in iron ore still to be mined runs into many billions of tons. When the next strong demand comes for ore, this one State can easily furnish more than the entire country's present output. Michigan and Montana copper mines supply about one-half of the 1,000,000,000 pounds of copper that is produced in the United States annually.

"Bank deposits now aggregate over $850,000,000 in this district and bank clearings for its great commercial and financial center, the Twin Cities, will be close to $2,000,000,000 for the year 1914.

"When we recall that the district has a population of less than 6,000,000, little more than one-third the population of the Southwest tributary to Kansas City, we realize the wonderful future of the great Northwest. Its development has only begun. Within its borders there is farm land for several million more farmers, who may also coin nature's resources into fat bank accounts."

—A consolidation has been effected between the Scandinavian-American National Bank and the National City Bank of Minneapolis, the title of the Scandinavian-American National being retained. The capital will be $1,000,000 and the combined resources over $7,000,000. H. R. Lyon is president; George F. Orde, A. Neland, Edgar Mattson and Charles B. Mills, vice-presidents; E. V. Bloomquist, cashier; A. E. Lindhjem and A. J. Hogan, assistant cashiers.

—J. Z. Miller, Jr., the new Chairman of the Board of Federal Reserve Bank No. 10 (Kansas City), was formerly president of the Belton (Texas) National Bank. About five years ago he located in Kansas City, becoming vice-president of the Commerce Trust Company.

—E. R. Fancher, Governor of the Federal Reserve Bank of Cleveland, was only a short time ago promoted from the vice-presidency to the presidency of the Union National Bank—a position which under the law he had to resign to become Governor of the Federal Reserve Bank.

—Total resources of the State, mutual savings banks and trust compa-

nies of Wisconsin on October 31 last were $238,561,733, an increase of $8,-478,943 since December 1, 1913.

—The Northwestern National Bank of Minneapolis has increased its capital from $3,000,000 to $4,000,000, with $2,000,000 surplus and nearly $900,-000 undivided profits.

This increase is due to the growth of the bank's business and to the continued development of the rich territory adjacent to Minneapolis.

PACIFIC STATES

—Los Angeles has another national bank--the Continental—which has opened in the Marsh & Strong Building with $300,000 paid-in capital and $75,-000 surplus, both these items to be increased shortly if found necessary. H. S. Heaton is president of the new bank; Sol Davis and W. D. Howard, vice-presidents; Edward Slefkin, cashier, and Fred J. Kinney, assistant cashier.

—San Francisco's Federal Reserve Bank is located in the extension of the Merchants National Bank Building on New Montgomery street.

—A branch of the Anglo-California Trust Company will be opened on the grounds of the Panama-Pacific Exposition at San Francisco next year.

—The Citizens Bank, Portland, will put up a four-story building for bank and office purposes.

—M. B. Connelly, heretofore vice-president and chairman of the board of directors of the Washington Trust Company, Spokane, has been elected president, succeeding J. Grier Long, deceased.

—This section of the country looks for a large influx of banker-visitors next year. To attract them there will not only be the expositions at San Francisco and San Diego, but the convention of the American Bankers Association at Seattle and the American Institute of Banking at San Francisco.

—The Merchants National Bank of Los Angeles is now installed in its new twelve-story building at Sixth and Spring streets, occupying some 37,000 feet of working space in the new structure. In the six years the bank was at its former location, the number of employees grew from fifteen to seventy—indicating that larger quarters had become essential to care for the increase in business.

CANADIAN NOTES

—Daniel R. Wilkie, general manager of the Imperial Bank of Canada and president of the Canadian Bankers Association, died at Toronto November 17.

Mr. Wilkie had been in the banking business for more than fifty years, and was well known both in Canada and abroad. He was born in Quebec and was in his sixty-ninth year.

—The annual statement of the Bank of Montreal for the fiscal year ending October 31 shows net profits of $2,-496,451, which is but $152,000 less than in 1913, the record high year in the history of the bank.

In addition to the net profits of $2,-496,000, the bank carried forward from the previous year a balance of $1,046,000, so that it has available for distribution $3,542,000. After making the usual provision for dividends and two bonuses each of one per cent., a contribution of $100,000 to the Patriotic Fund and $290,000 to bank premises account, there remains a balance of $1,232,000 to be carried forward.

As compared with a year ago, the bank has made substantial progress, there being an increase of $200,000 in note circulation, an increase of $10,-

000,000 in deposits bearing interest, while total assets show an increase of $15,000,000.

A feature of the statement which calls for special comment is the large amount of gold, silver, Dominion notes and other quickly available assets. These stand unusually high, being some $19,000,000 greater than they were last year.

Herewith will be found the general statement of the Bank of Montreal, October 31, 1914.

LIABILITIES.

Capital stock			$16,000,000.00
Rest		$16,000,000.00	
Balance of profits carried forward		1,232,669.42	
		$17,232,669.42	
Unclaimed dividends		114.00	
Quarterly dividend, payable December 1, 1914	$400,000.00		
Bonus of 1%, payable December 1, 1914	160,000.00		
		560,000.00	
			17,792,783.42
			$33,792,783.42
Notes of the bank in circulation		$17,231,502.00	
Deposits not bearing interest		42,689,031.57	
Deposits bearing interest, including interest accrued to date of statement		154,533,643.41	
Deposits made by and balances due to other banks in Canada		6,089,840.66	
Balances due to banks and banking correspondents elsewhere than in Canada		370,349.95	
Bills payable		436,010.88	
			221,350,378.47
Acceptances under letters of credit			3,368,066.53
Liabilities not included in the foregoing			970,434.83
			$259,481,663.25

ASSETS.

Gold and silver coin current		$15,452,819.73	
Government demand notes		25,208,942.75	
Deposit in the central gold reserves		1,500,000.00	
Deposit with the Minister for the purposes of the circulation fund		790,000.00	
Balances due by banks and banking correspondents elsewhere than in Canada	$15,900,030.37		
Call and short (not exceeding thirty days) loans Great Britain and United States	41,502,122.01		
		57,402,152.38	
Dominion and Provincial Government securities not exceeding market value		502,931.62	
Railway and other bonds, debentures and stocks not exceeding market value		11,254,173.91	
Canadian municipal securities, and British, foreign and colonial public securities other than Canadian		488,296.03	
Notes of other banks		1,988,933.00	
Checks on other banks		8,069,753.60	
			$122,658,003.02
Loans to the Government of Canada		5,000,000.00	
Current loans and discounts in Canada (less rebate of interest)		108,845,332.96	
Loans to cities, towns, municipalities and school districts		9,017,324.26	
Current loans and discounts elsewhere than in Canada (less rebate of interest)		5,756,003.55	
Overdue debts, estimated loss provided for		452,768.65	
			129,071,429.42
Bank premises at not more than cost (less amounts written off)			4,000,000.00
Real estate other than bank premises			173,620.79
Liabilities of customers under letters of credit (as per contra)			3,368,066.53
Other assets not included in the foregoing			210,543.49
			$259,481,663.25

—On November 14 the Dominion Bank moved into its new head office building at King and Yonge streets, Toronto. The building is modern and fireproof, and is ten stories high, occupying a space of seventy-five feet on King street by 168 feet on Yonge. The various banking departments occupy the ground and first floors, while the head office quarters are on the ninth and ninth mezzanine.

—The fifty-ninth annual meeting of shareholders of Molson's Bank took place at Montreal, November 2, Vice-President S. H. Ewing in the chair. General Manager Edward C. Pratt read the directors' annual report. Net profits for the year were $608,196.35. Six new branches were opened during the year.